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NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

**A STUDY OF THE SINO-SAUDI AND SINO-PERSIAN
RELATIONSHIPS**

by

Juan Lopez

March 2020

Thesis Advisor:
Second Reader:

James A. Russell
Michael A. Glosny

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A STUDY OF THE SINO-SAUDI AND SINO-PERSIAN RELATIONSHIPS

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Lieutenant, United States Navy
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Submitted in partial fulfillment of the
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES
(MIDDLE EAST, SOUTH ASIA, SUB-SAHARAN AFRICA)**

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ABSTRACT

This thesis examines the emerging relationship of two Middle Eastern regional powers—Saudi Arabia and Iran—with a globally expansionist Chinese state. Due to the existing U.S. national security interests in the Middle Eastern region, it is critical to identify the principal drivers that have prompted both Iran and Saudi Arabia to develop closer ties with China in order to determine if and how these relationships may affect U.S. interests. Clarifying the dynamics of the Sino-Saudi and Sino-Persian relationships will enable U.S. decision makers to better anticipate the effects those relationships may have on the Middle Eastern region. To determine the drivers compelling Saudi Arabia and Iran closer to China, the thesis applies a qualitative case study method to examine aspects of the economic, diplomatic, and security factors of the Sino-Saudi and Sino-Persian relationships. The research broadly assesses the period that established formal relations—1979 for the Sino-Persian case and 1990 for the Sino-Saudi case—through present day. The research found that economic factors are the main drivers contributing to closer ties in both the Sino-Saudi and Sino-Persian relationships. Although this thesis clarifies the factors that compel the Sino-Saudi and Sino-Persian relationships, these factors are not indicative of what drives other Middle Eastern countries to develop stronger ties with China.

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LIST OF ACRONYMS AND ABBREVIATIONS

bpd	barrels per day
BRI	Belt and Road Initiative
CITIC	China's International Trust and Investment Corporation
DOD	Department of Defense
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency
IMF	International Monetary Fund
IRI	Islamic Republic of Iran
ISIS	Islamic State of Iraq
JCPOA	Joint Comprehensive Plan of Action
KSA	Kingdom of Saudi Arabia
NATO	North Atlantic Treaty Organization
NSS	National Security Strategy
UNSC	United Nations Security Council

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Para mi mamá y mi papa los quiero.

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I. INTRODUCTION

A. MAJOR RESEARCH QUESTION

This thesis examines the emerging relationship of two Middle Eastern regional powers—Saudi Arabia and Iran—with a globally expansionist Chinese state. Critical to the research question is identifying the factors that have contributed to Saudi Arabia and Iran increasing ties with China. In recent years, China has been paying more attention to the Middle East primarily because of China’s rising energy demands.¹ Since Saudi Arabia and Iran established formal diplomatic ties with China, their relationships with China have transformed its role in the region from being a negligible actor to now the primary destination for Saudi and Iranian oil.² China, for the most part, is reluctant to expand its role in the region for fear of being embroiled in regional tensions.³ As Sino-Saudi and Sino-Persian ties increase, it is important to determine how Saudi Arabia and Iran benefit from their relationships with China. To answer this question, it is critical to identify the principal drivers that have prompted both Iran and Saudi Arabia to develop closer ties with China.

B. SIGNIFICANCE OF THE RESEARCH QUESTION

This research is significant for three reasons. First, it provides insight into what factors drive Saudi Arabia and Iran to develop closer ties with China. The *National Security Strategy* (NSS) states that the United States seeks a Middle East that is “not dominated by any power hostile to the United States, and that contributes to a stable global energy market.”⁴ For this reason, it is essential to determine what factors drive Saudi Arabia and Iran to develop stronger ties with China and what benefits they gain

¹ Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, 3rd ed., Asia in World Politics (Lanham, MD: Rowman & Littlefield Publishers, 2012), 290–94.

² Andrew Scobell and Alireza Nader, *China in the Middle East: The Wary Dragon* (Santa Monica, CA: RAND Corporation, 2016), 7–8.

³ Scobell and Nader, *China in the Middle East*, 2.

⁴ White House, *National Security Strategy of the United States* (Washington, DC: White House, 2017), 48, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

from their relationships with China. Clarifying the dynamics of the Sino-Saudi and Sino-Persian relationships enables decisionmakers to better anticipate the effects those relationships may have on the Middle Eastern region.

Second, the research provides insight into how Saudi Arabia and Iran may leverage China to pursue their strategic interests and the impact it will have in the Middle Eastern region. It is of particular concern to the United States how Saudi Arabia and Iran will leverage their growing ties with China since the United States continues to have strategic interests and concerns in the region. For example, per the *National Security Strategy*, the region remains a security concern due to the presence of terrorist organizations like ISIS and al-Qa'ida. Another security concern for the United States is Iran's growing influence throughout the Middle Eastern region and whether it could destabilize partner nations.⁵ In short, since the United States continues to have strategic concerns in the Middle East, it is important to understand whether Saudi Arabia and Iran will use their relationships with China as leverage and for what purpose.

Lastly, it is critical to understand whether the growing Sino-Saudi and Sino-Persian relationships will undermine U.S. policies and objectives in the region. The emergence of a great power competition means that the United States must reassess its strategy in the Middle East. Implementing an expansive U.S. policy in the Middle East is no longer possible because near-peer competitors, such as China, have emerged, forcing the United States to adopt a more tailored approach toward the region.⁶ To date, China has not played a significant role in the region; however, this is changing as China increases economic, diplomatic, and security ties with Saudi Arabia and Iran—the two leading actors in the region.⁷ It is important to assess what consequences to U.S. interests in the region will arise due to the U.S. pivot from the Middle East toward the Indo-Pacific.

⁵ White House, *National Security Strategy*, 49.

⁶ White House, 2–3.

⁷ Scobell and Nader, *China in the Middle East*, ix–x.

C. LITERATURE REVIEW

Sino-Saudi and Sino-Persian economic, diplomatic, and military relations have strengthened over the past few years.⁸ The factors behind this growth are multilayered, complicated, and driven by convenience. International relations theories such as hedging, in regard to the Sino-Saudi case, and soft balancing, in regard to the Sino-Persian case, help explain certain aspects of the two relationships but do not fully explain it. Analyzing economic, diplomatic, and military cooperation provides a more satisfactory answer and reveals important insights into the factors driving Saudi Arabia and Iran to pursue closer ties with China.

1. International Relations Framework

Soft balance is a non-military form of balancing. Robert A. Pape explains, “soft-balancing measures do not directly challenge a unipolar leader’s military preponderance, but they can delay, complicate, or increase the costs of using that extraordinary power.”⁹ States exert soft balancing in various ways, including using economic systems, international institutions, and diplomatic relations to delay or prevent a hegemon from obtaining their objectives.¹⁰ Pape further explains, “although soft balancing relies on nonmilitary tools, it aims to have a real, if indirect, effect on the military prospects of a superior states.”¹¹ Soft balancing is an instrument available to weaker states that are not able to hard balance against a hegemon. Based on the literature, soft balancing can evolve into hard balancing but is a more attractive option since it is easier and bares fewer consequences.¹²

Hedging is an alternative to balancing. Kui Cheng-Chwee defines hedging as “a behavior in which a country seeks to offset risks by pursuing multiple policy options that

⁸ Scobell and Nader, *China in the Middle East*, 1–20.

⁹ Robert A. Pape, “Soft Balancing Against the United States,” *International Security* 30, no. 1 (Summer 2005): 17.

¹⁰ Pape, “Soft Balancing Against the United States,” 10.

¹¹ Pape, 36.

¹² Pape, 10, 15–18.

are intended to produce a mutually counteracting effects, under the situation of high-uncertainties and high-stakes.”¹³ He contends that hedging is a good alternative to balancing in circumstances where there is no immediate threat to a small and militarily weak state.¹⁴ Due to the uncertainty of regional order, “the smaller states can no longer afford to develop too close or too distant a relationship with any of the major power.”¹⁵ On the one hand, being too close to a major power can lead to the loss of independence of the weaker state. Another negative consequence is that it could drag the weaker state into conflict if it is forced to support the more powerful state. On the other hand, being too far from the major power may lead the weaker state to lose some benefits.

2. Sino-Saudi Relations

Volatility in the Middle Eastern region and the fall of the Soviet Union prompted Saudi Arabia to formally establish diplomatic relations with China in 1990.¹⁶ The Iranian Revolution, the Iran-Iraq War, and Saddam’s invasion of Kuwait made Saudi Arabia realize that it needed to expand its defensive capabilities.¹⁷ Consequently, Riyadh began purchasing military equipment from China, including ballistic missiles, which other countries were unwilling to supply.¹⁸ Andrew Scobell and Alireza Nader explain that “following this geostrategic breakthrough, China has emphasized economic ties, although it has not neglected diplomatic and military elements, to advance interests in Saudi Arabia.”¹⁹ After the fall of the Soviet Union, Saudi Arabia was more open to moving closer to China.²⁰ Scobell and Nader assert that “rapprochement was made easier by the belief that China, while a communist regime, was not militarily or ideologically

¹³ Kuik Cheng-Chwee, “The Essence of Hedging: Malaysia and Singapore’s Response to a Rising China,” *Contemporary Southeast Asia* 30, no. 2 (August 2008): 163, <https://doi.org/10.1355/CS30-2A>.

¹⁴ Cheng-Chwee, “The Essence of Hedging,” 164.

¹⁵ Cheng-Chwee, 164–65.

¹⁶ Scobell and Nader, *China in the Middle East*, 24–25.

¹⁷ Muhamad S. Olimat, *China and the Middle East Since World War II: A Bilateral Approach* (Lanham, MD: Lexington Books, 2014), 216–18.

¹⁸ Scobell and Nader, *China in the Middle East*, 25.

¹⁹ Scobell and Nader, 24.

²⁰ Olimat, *China and the Middle East Since World War II*, 215–16.

threatening (unlike the Soviet Union) and at the same time offered the possibility of economic and even security cooperation.”²¹

After China’s economy recovered in the 1990s, its energy demands dramatically increased.²² For China, Saudi Arabia has become of great strategic importance as trade between the two countries has increased.²³ Jonathan Fulton asserts that “the Sino-Saudi relationship is China’s most important in the Middle East and has become one of Saudi Arabia’s most important relationship beyond the Middle East as well.”²⁴ Fulton explains that China’s Belt and Road Initiative (BRI) will further deepen the relationship between China and Saudi Arabia.²⁵

Energy trade is at the heart of Sino-Saudi economic relations.²⁶ Clayton Cheney explains that by 2017 “Saudi Arabia [met] approximately 20 percent of China’s oil import demand, which has caused bilateral trade between the two countries to rise from \$1 billion in 1990 to \$70 billion in 2013, making Saudi Arabia a significant contributor to the Chinese economic engine.”²⁷ The trend of increasing trade between the two countries over the past three decades will likely continue as Saudi Arabia has roughly 18 percent of the world’s total oil reserves and China’s energy needs are expected to increase from 6 million barrels per day (mb/d) in 2015 to 13 mb/d in 2035.²⁸ How much trade increases between the two countries depends on how well Saudi Arabia overcomes competitors

²¹ Scobell and Nader, *China in the Middle East*, 25–26.

²² Scobell and Nader, 20.

²³ Mohammed Turki Al-Sudairi, “Sino-Saudi Relations: An Economic History” (Gulf Research Center, August 2012), 3–4, https://www.files.ethz.ch/isn/156677/Final_Completed_Sino_Saudi_Economic_History_Report_3778.pdf.

²⁴ Jonathan Fulton, *China’s Relations with the Gulf Monarchies*, (New York, NY: Routledge/Taylor & Francis Group, 2019), 72.

²⁵ Fulton, *China’s Relations with the Gulf Monarchies*, 106.

²⁶ Iain MacGillivray, “Maturing Sino-Saudi Strategic Relations and Changing Dynamics in the Gulf,” *Global Change, Peace & Security* 31, no. 1 (January 2, 2019): 64–65, <https://doi.org/10.1080/14781158.2018.1475350>.

²⁷ Clayton Cheney, “Sino-Saudi Energy Relations,” *Global Affairs Review*, November 9, 2017, <https://gareviewnyu.wordpress.com/2017/11/09/sino-saudi-energy-relations/>.

²⁸ Chris Zambelis, “China and Saudi Arabia Solidify Strategic Partnership Amid Looming Risks,” *China Brief* 17, no. 3 (March 2, 2017), <https://jamestown.org/program/china-saudi-arabia-solidify-strategic-partnership-amid-looming-risks/>; Cheney, “Sino-Saudi Energy Relations.”

trying to gain a more significant piece of the Chinese market. Saudi Arabia faces considerable competition from other leading exporters of oil, like Iran and Russia.²⁹ Not securing the largest oil importing market is a concern for Saudi Arabia since “the oil sector accounts for 90 percent of Saudi exports, 80 percent of its government revenues and 40 percent of its GDP.”³⁰ Additionally, according to Clayton Cheney, Saudi Arabia is looking to diversify its trade and planning to increase the percentage of its GDP coming from the non-oil sector from 16 to 50 percent, which likely includes expanding trade and investment with China.³¹

Whereas Sino-Saudi diplomatic and economic relations have expanded, security relations have been limited primarily to Chinese arms sales.³² The first steps in their security cooperation date back to 1985, when Saudi Arabia purchased 36 CSS-2 intermediate range ballistic missiles and nine launchers from China.³³ It is important to note that the Sino-Saudi security relationship is not exclusive, as Saudi Arabia continues to rely on the United States for arms sales. Conversely, China continues to trade with other countries in the region, including Saudi Arabia’s regional competitor the Islamic Republic of Iran. Scobell and Nader assert that “to date, the bilateral defense relationship appears heavily skewed toward secretive arms sales of sensitive weaponry, with far more limited activity in other realms, such as military-to-military exchanges and exercises.”³⁴ Overall, when compared to purchasing from the United States and the United Kingdom, Saudi weapons purchases from China have been negligible since 1990. For example, in the period between 2005–2009 China accounted for only 6 percent of the total volume of Saudi arms imports. However, Jeffrey Lewis posits that weapons sales between Saudi

²⁹ Cheney, “Sino-Saudi Energy Relations.”

³⁰ Cheney.

³¹ Cheney.

³² Scobell and Nader, *China in the Middle East*, 39–44.

³³ Joseph A. Kechichian, “Saudi Arabia and China: The Security Dimension,” Middle East Institute, February 9, 2016, <https://www.mei.edu/publications/saudi-arabia-and-china-security-dimension>.

³⁴ Scobell and Nader, *China in the Middle East*, 40.

Arabia and China are likely higher than official numbers suggest due to secret weapons transfers.³⁵

3. Sino-Persian Relations

Although the Islamic Republic of Iran originally began to pivot toward China after the Iranian Revolution in 1979, it has become heavily reliant on China in recent years as it attempts to respond to enduring external sanctions and internal mismanagement. United States started to isolate the Islamic Republic soon after the revolution, and, in the 1990s, it began to ramp up the pressure.³⁶ In 2006, the United Nations Security Council (UNSC) unanimously approved sanctions against Iran, after recognizing that Iran was pursuing efforts to develop a nuclear weapon.³⁷ With a growing number of enemies and not many allies, the Islamic Republic realized early that it would have to accept a certain level of dependence and reliance on other nations to secure the survival of the regime. Esfandiary and Tabatabai assert that “politically, Tehran had to turn toward a great power for support after it lost Washington following the fall of the Shah.”³⁸ Iran turned toward China after the revolution and has continued to seek its support. To date, the Sino-Persian political relationship has alternated between periods of strong and weak levels of cooperation. For example, in 1997, China significantly downgraded relations with Iran over the concern that this relationship would create tension in the U.S.-Sino relationship.³⁹ By the beginning of the 2000s, China became less concerned about its relationship with the United States, leading it to resume high-level cooperation with Iran and build the foundation for deeper Sino-Persian

³⁵ Scobell and Nader, 41–43.

³⁶ Dina Esfandiary and Ariane Tabatabai, *Triple-Axis: China, Russia, Iran and Power Politics* (London: I.B. Tauris, 2018), 96–97.

³⁷ Zachary Laub, “International Sanctions on Iran,” Center on Foreign Relations, July 15, 2015, <https://www.cfr.org/background/international-sanctions-iran>.

³⁸ Esfandiary and Tabatabai, *Triple-Axis*, 71.

³⁹ Scott Harold and Alireza Nader, *China and Iran: Economic, Political, and Military Relations* (Santa Monica, CA: RAND Corporation, 2012), 4, <http://public.eblib.com/choice/publicfullrecord.aspx?p=1365153>.

relations in the 21st century.⁴⁰ Cordial diplomatic relations between Iran and China have spearheaded cooperation into other realms, including trade.⁴¹

In 2009, China became Iran's largest trading partner, and, in 2011, it became the largest importer of Iranian oil.⁴² Iran has expanded economic ties with China as China's energy demands have increased. For example, China has invested in other sectors of the economy, including infrastructure like airports and dams. Furthermore, China has continued conducting business with Iran despite the UNSC's first round of sanctions in 2006. For example, the period between the final round of UNSC sanctions in 2010 and the signing of the Joint Comprehensive Plan of Action (JCPOA) in 2015, exports from Iran to China grew by 24 percent, and imports from China to Iran grew by 25 percent.⁴³ The Islamic Republic is mindful that China is not the most reliable partner considering that international pressure has stopped China from selling Iran certain military equipment, including nuclear technology.⁴⁴ Currently, Iran is limited in terms of finding countries that are willing to conduct business with it.

Iran aims to be self-sufficient in the realm of defense and security; however, it recognized quickly after the revolution that it would have to depend on other countries to obtain the necessary equipment and technology to modernize its military.⁴⁵ For Iran, this realization occurred when Saddam Hussein invaded Iran in 1980.⁴⁶ During this period, Iran found a sympathetic partner in China that was willing to supply it with weapons it otherwise would not have been able to obtain.⁴⁷ Today, China is Iran's largest arms

⁴⁰ Harold and Nader, 6.

⁴¹ Esfandiary and Tabatabai, *Triple-Axis*, 76.

⁴² Sara Bazoobandi, "Sanctions and Isolation, The Driving Force of Sino-Iranian Relations," *East Asia* 32, no. 3 (September 2015): 264, <https://doi.org/10.1007/s12140-015-9244-4>; Scobell and Nader, *China in the Middle East*, 59.

⁴³ Esfandiary and Tabatabai, *Triple-Axis*, 101.

⁴⁴ Esfandiary and Tabatabai, 75.

⁴⁵ Esfandiary and Tabatabai, 122.

⁴⁶ Afshon Ostovar, *Vanguard of the Imam: Religion, Politics, and Iran's Revolutionary Guards* (New York, NY: Oxford University Press, 2016), 62–64.

⁴⁷ Ostovar, 82.

supplier, a critical actor fueling Iranian military modernization efforts, and has also supported its nuclear endeavors. Scott Harold and Alireza Nader assert that “from the Chinese perspective, there is strategic value in helping Iran develop enough military capabilities to counter U.S. dominance of the Persian Gulf.”⁴⁸ Iran has benefitted from China’s strategic ambitions and will likely continue to leverage China in its favor. Esfandiary and Tabatabai explain that “Tehran’s priorities in defence spending and acquisition lay in three critical areas: Modernizing its air force and air defence, beefing up its cyber capabilities and developing its counterterrorism apparatus.”⁴⁹ In the short term, Iran will continue to depend on China for the requisite military equipment and technology to modernize its defense capability.

D. POTENTIAL EXPLANATIONS AND HYPOTHESES

The following hypotheses are presented to explain why relationships in the Sino-Saudi and Sino-Persian cases have increased in recent years: 1) Saudi Arabia considers China as an alternative to the United States but looks to benefit from relationships with both countries; 2) Iran must increase ties with China since sanctions have deterred other countries from conducting business with the Islamic Republic; 3) both Saudi Arabia and Iran will leverage the benefits associated with their relationships with China to counter each other’s efforts to increase influence in the Middle East.

- (1) Saudi Arabia considers China as an alternative to the United States but looks to benefit from relationships with both countries.

As China’s role in the region develops, Saudi Arabia will try to benefit from it. Scobell and Nader assert that “for Saudi Arabia, China may present a partial solution to its uneasy partnership with the United States.”⁵⁰ As the Sino-Saudi relationship evolves, Saudi Arabia will likely pursue a policy of hedging with China to offset risk of over-dependence on the United States. Saudi Arabia will be cautious, however, not to develop a similar over-dependence on China.

⁴⁸ Harold and Nader, *China and Iran: Economic, Political, and Military Relations*, 18.

⁴⁹ Esfandiary and Tabatabai, *Triple-Axis*, 128.

⁵⁰ Scobell and Nader, *China in the Middle East*, 28.

- (2) Iran must increase ties with China since sanctions have deterred other countries from conducting business with the Islamic Republic.

As China's footprint in the Middle East expands, Iran will likely continue to increase relations with China. According to Tabatabaj and Esfandiary, for Iran, "China effectively shelter [s] [it] from complete isolation and provide [s] it with political support, defence assistance, and economic ties that it cannot receive elsewhere."⁵¹ Iran will likely continue to expand its political, economic, and security ties with China as a result of being isolated from the international community. Furthermore, a closer relationship with China will help Iran soft-balance against the United States—the country that is responsible for the sanctions—and a key rival actively working to curtail Iran's growing influence in the Middle East.

- (3) Both Saudi Arabia and Iran will leverage the benefits associated with their relationships with China to counter each other's efforts to increase influence in the Middle East.

A complicated dimension in the Sino-Middle Eastern relations is striking a balance between Saudi Arabia and Iran. A report by the Harvard Kennedy Belfer Center indicates that "the Persian Gulf region's major powers, the Islamic Republic of Iran (IRI) and the Kingdom of Saudi Arabia (KSA), have, at least since the 2003 U.S.-led invasion of Iraq, been engaged in a hegemonic rivalry over power and influence."⁵² As both countries nurture closer ties with China, they will likely attempt to leverage those relationships to hard-balance against the one another.

E. RESEARCH DESIGN

The thesis applies a qualitative case study method to examine aspects of the economic, diplomatic, and security factors of the Sino-Saudi and Sino-Persian relationships. Initially, this study intended to focus on the relationships between China and the Gulf Cooperation Council (GCC) and between China and Iran, but, due to time

⁵¹ Esfandiary and Tabatabai, *Triple-Axis*, 2.

⁵² Ali Fathollah-Nejad, "The Iranian–Saudi Hegemonic Rivalry," Belfer Center, October 25, 2017, <https://www.belfercenter.org/index.php/publication/iranian-saudi-hegemonic-rivalry>.

limitations, the research treats Saudi Arabia as a representative case for the GCC. A more robust study would include all GCC nations, but that would be the subject of a lengthier project. The research broadly assesses the period that established formal relations—1979 for the Sino-Persian case and 1990 for the Sino-Saudi case—through present day. The research analyzes in greater depth, however, the recent events that have encouraged Saudi Arabia and Iran to develop closer ties with China.

F. THESIS OVERVIEW

Chapters II and III present the Sino-Saudi and Sino-Persian case studies, respectively. The case studies provide historical analysis as well as a review of economic, diplomatic, and security cooperation. Chapter II presents the Sino-Saudi case study and highlights the importance of energy trade and its decision to diversify its portfolio of partnerships as key driving factors in the Sino-Saudi relationship. Chapter III provides the Sino-Persian case study, which reveals that conditions that have emerged due to U.S. and International sanctions and the mismanagement of the economy by the Islamic Republic are some of the key drivers leading Iran to pursue a stronger partnership with China. Chapter IV considers these insights in more depth to discern that the United States will have to contend with a growing Chinese presence in the Middle East but may be able to benefit from more involvement by China in the region.

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II. SINO-SAUDI RELATIONS

Saudi Arabia's pivot to Asia is not surprising; King Abdullah (2005-2015) and King Salman bin Abdulaziz (2015-present) have been pushing foreign policies in that direction for close to two decades.⁵³ In particular, Saudi Arabia's relationship with China has become one of its most important outside of the Middle East and its most important in Asia.⁵⁴ China's growing need for oil is the primary driver behind the relationship. Today, China is Saudi Arabia's top export destination.⁵⁵

Analyzing the factors that drive Saudi Arabia to pursue stronger ties with China and examining Sino-Saudi economic, diplomatic, and military cooperation reveal important insights. Saudi Arabia is proving to the region and beyond—including specifically to the United States—that it can diversify its portfolio of partnerships to help it increase regional power and reach strategic objectives, even if that means increasing ties with China.⁵⁶ In short, Saudi Arabia is engaging, in some respect, in hedging behavior since it perceiving a potential overdependence on the United States.⁵⁷ Also advantageous is the fact that building a closer relationship with China helps Saudi Arabia balance against its regional rival, the Islamic Republic of Iran.⁵⁸

A. OVERDEPENDENCE ON OIL AND ON THE UNITED STATES DRIVES SAUDI ARABIA CLOSER TO CHINA

There are a number of challenges the Kingdom of Saudi Arabia is currently facing. First, the Kingdom of Saudi Arabia depends on the income generated from the

⁵³ Makio Yamada, "Saudi Arabia's Look-East Diplomacy: Ten Years On," *Middle East Policy* 22, no. 4 (December 2015): 121, <https://doi.org/10.1111/mepo.12163>.

⁵⁴ Fulton, *China's Relations with the Gulf Monarchies*, 72.

⁵⁵ "Saudi Arabia," Observatory of Economic Complexity, accessed February 12, 2020, <https://oec.world/en/profile/country/sau/>.

⁵⁶ Jean-Loup Samaan, *Strategic Hedging in the Arabian Peninsula: The Politics of the Gulf-Asian Rapprochement*, Whitehall Papers Series (Abingdon: Routledge, 2018), 3.

⁵⁷ Mordechai Chaziza, "Strategic Hedging Partnership: A New Framework for Analyzing Sino-Saudi Relations," *Israel Journal of Foreign Affairs* 9, no. 3 (September 2, 2015): 448, <https://doi.org/10.1080/23739770.2015.1120017>.

⁵⁸ MacGillivray, "Maturing Sino-Saudi Strategic Relations and Changing Dynamics in the Gulf," 61.

sale of oil, and, as such, it is affected by changes in the oil market. For example, Figure 1 illustrates that when oil prices fell from \$130 per barrel in 2014 to \$30 per barrel in early 2016, it led to a significant decrease in Saudi GDP.⁵⁹ About 90 percent of the government's revenue comes from the sale of oil.⁶⁰ Consequently, Saudi Arabia benefits from a stable oil market and from having reliable consumers for its oil.

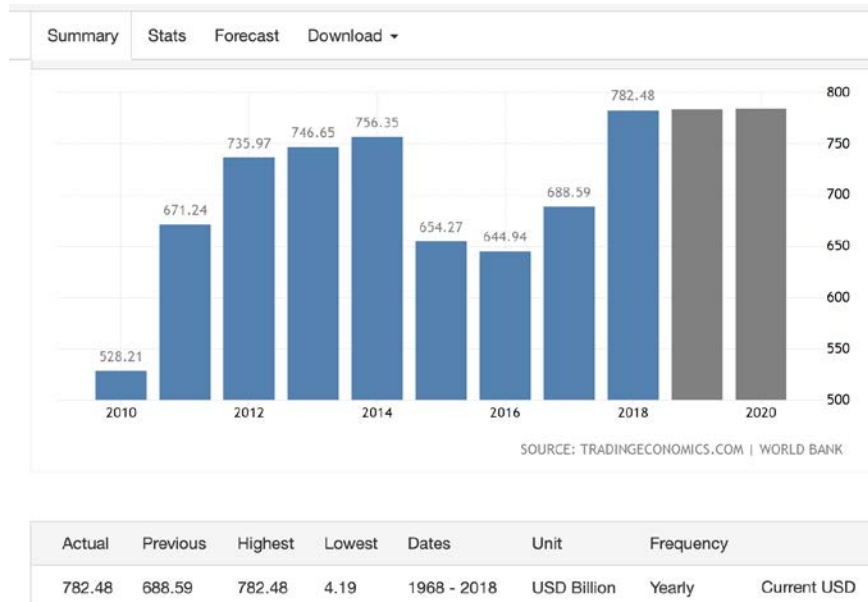


Figure 1. GDP of Saudi Arabia from 2010 to 2018⁶¹

To avoid the impact caused by changes in the oil market, the Kingdom of Saudi Arabia needs to move away from its dependence on oil and it plans to do so by diversifying its sources of income. Transform its economy requires a significant

⁵⁹ Mo Chen, "The Economic Adjustment of Saudi Arabia and the Docking of Bilateral Economy and Trade between China and Saudi Arabia under the 'One Belt and One Road' Initiative," *Journal of Middle Eastern and Islamic Studies (in Asia)* 10, no. 2 (June 2016): 47, <https://doi.org/10.1080/19370679.2016.12023282>.

⁶⁰ Gassan Al-Kibsi et al., "Saudi Arabia Beyond Oil: The Investment and Productivity Transformation" (McKinsey Global Institute, December 2015), 2, https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Employment%20and%20Growth/Moving%20Saudi%20Arabias%20economy%20beyond%20oil/MGI%20Saudi%20Arabia_Executive%20summary_December%202015.ashx.

⁶¹ Source: "Saudi Arabia GDP," Trading Economics, accessed February 11, 2020, <https://tradingeconomics.com/saudi-arabia/gdp>.

monetary investment in sectors like manufacturing, finance, petrochemicals, and construction.⁶² According to the consulting firm McKinsey and Company, Saudi Arabia needs about \$4 trillion in investment to double its GDP, which is the level of economic growth it was able to accomplish during the previous decade.⁶³ At this time, the Saudi government is not in a position to develop these sectors on its own since it has been implementing austerity measures to reduce its spending, including reducing the stipends it provides to its population.⁶⁴ If Saudi Arabia is unable to enact the necessary reforms to decrease its dependence on oil, it could deplete its foreign exchange reserves in the near future. Due, in part, to low oil prices, Saudi Arabia has been running a budget deficit and has been consistently withdrawing from its overseas assets. In 2016, the International Monetary Fund (IMF) warned that if Saudi Arabia continued withdrawing from its overseas assets at its then-current pace, it could deplete those funds within five years.⁶⁵ According to CEIC, a firm that provides data on developed and developing economies, as of July 2019, Saudi Arabia's foreign exchange reserves were at \$492.3 billion, which is significantly lower than the all-time high of \$731.2 billion in August 2014, as depicted in Figure 2.⁶⁶ In short, Saudi Arabia has been forced to cut spending due to changes in the oil market at the same time that it is attempting to transform its economy. To achieve this goal, Saudi Arabia will require outside investors.

⁶² Al-Kibsi et al., "Saudi Arabia Beyond Oil: The Investment and Productivity Transformation," 7–10.

⁶³ Al-Kibsi et al., 1.

⁶⁴ Chen, "The Economic Adjustment of Saudi Arabia and the Docking of Bilateral Economy and Trade between China and Saudi Arabia under the 'One Belt and One Road' Initiative," 53.

⁶⁵ Chen, 48–49.

⁶⁶ "Saudi Arabia Foreign Exchange Reserves," CEICdata, October 10, 2019, <https://www.ceicdata.com/en/indicator/saudi-arabia/foreign-exchange-reserves>.

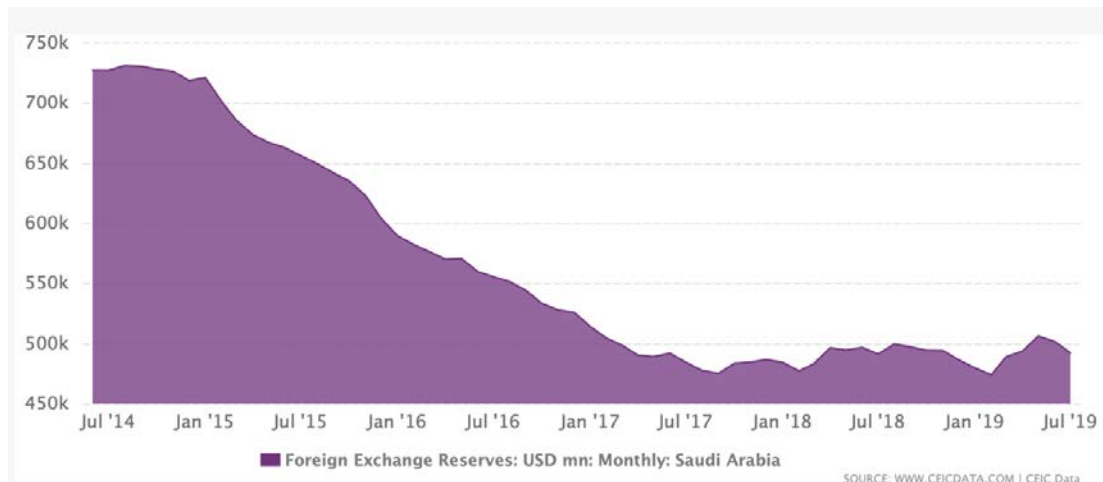


Figure 2. Saudi Arabi Foreign Exchange Reserve July 2014 to July 2019⁶⁷

Whether the government can alleviate some of the state's economic difficulties by securing outside investments remains to be seen. These problems are widespread and include high unemployment, with some estimates placing the rate as high as 30–35 percent.⁶⁸ Unemployment in particular is a serious concern since 4.5 million new workers are expected to enter the Saudi labor market in the next few years.⁶⁹ Adding to these concerns is the Kingdom's increasing domestic consumption of the same oil it depends on for revenue. According to a report by Glada Lahn and Paul Stevens from the Chatham House in London, if Saudi Arabia maintains the same pace of oil consumption it could become a net importer of oil by 2038.⁷⁰

Lastly, the Saudi government acknowledges that it needs to move away from its dependence on the United States; Saudi priorities in some arenas diverge from the hegemon and it benefits from connections with other countries that are willing to help it achieve those priorities. In short, over the past few years Saudi Arabia appears to have been reevaluating its relationship with the United States, perceiving a potential

⁶⁷ Source: CEICdata, "Saudi Arabia Foreign Exchange Reserves."

⁶⁸ Zakir Hussain, *Saudi Arabia in a Multipolar World: Changing Dynamics*. (New York, NY.: Routledge, 2016), 12.

⁶⁹ Al-Kibsi et al., "Saudi Arabia Beyond Oil: The Investment and Productivity Transformation," 5.

⁷⁰ Yamada, "Saudi Arabia's Look-East Diplomacy," 125.

overdependence.⁷¹ Friction emerged over disagreements regarding the U.S. response to the Arab Spring, its limited engagement in the Syrian civil war, and Obama's decision to negotiate with Iran on its nuclear program.⁷² The friction between the United States and Saudi Arabia was not unique to the Obama administration, however, since anti-Saudi backlash emerged immediately following the September 11th attacks.⁷³ This continuous friction has compelled Saudi Arabia to be more cautious regarding its dependence on the United States. U.S.-Saudi tensions have relaxed since President Trump took office in 2017 as he has continuously reaffirmed the importance of the relationship.⁷⁴ Nevertheless, Saudi Arabia is actively looking for countries that will help it achieve its strategic objectives while reducing its overdependence on the United States.

B. SINO-SAUDI RELATIONS

China's increasing thirst for oil, its policy of noninterference in the Middle East, and its willingness to overlook human rights violations makes it an increasingly attractive partner for Saudi Arabia.⁷⁵ Today, China is the largest importer of oil, and, by 2034, it is projected to surpass the United States in overall oil consumption.⁷⁶ China's growing need for oil has been at the core of Sino-Saudi relations, but this relationship has expanded into the areas of investment and defense.⁷⁷ In regard to defense, what makes China attractive to Saudi Arabia is China's minimal restrictions on what type of weapons

⁷¹ Chaziza, "Strategic Hedging Partnership," 448.

⁷² Azad, "Saudi Arabia Looks East," 142.

⁷³ Flynt Leverett and Jeffrey Bader, "Managing China-U.S. Energy Competition in the Middle East," *The Washington Quarterly* 29, no. 1 (December 2005): 195, <https://doi.org/10.1162/016366005774859643>.

⁷⁴ Donald J. Trump, "Statement from President Donald J. Trump on Standing with Saudi Arabia," [whitehouse.gov](https://www.whitehouse.gov/briefings-statements/statement-president-donald-j-trump-standing-saudi-arabia/), November 20, 2018, <https://www.whitehouse.gov/briefings-statements/statement-president-donald-j-trump-standing-saudi-arabia/>.

⁷⁵ Scobell and Nader, *China in the Middle East*, 30, 34.

⁷⁶ Xuming Qian and Jonathan Fulton, "China-Gulf Economic Relationship under the 'Belt and Road' Initiative," *Asian Journal of Middle Eastern and Islamic Studies* 11, no. 3 (September 2017): 13, <https://doi.org/10.1080/25765949.2017.12023306>.

⁷⁷ Hussain, *Saudi Arabia in a Multipolar World*, 150.

systems it is willing to sell the Kingdom. For China, Saudi Arabia is a partner that can help China expand its geopolitical and economic influence.⁷⁸

Saudi Arabia, and the Arab world more broadly, play an important part in China's Belt and Road Initiative (BRI).⁷⁹ This initiative, however, does not dictate a specific policy toward Saudi Arabia.⁸⁰ Although China does not have a specific policy guiding Sino-Saudi relations, it did release a strategy for the Middle Eastern region. In a document entitled "China's Arab Policy Paper," China explained its approach toward the greater Middle East.⁸¹ In this document, China describes a comprehensive cooperation strategy known as "1+2+3," according to Xuming Qian. In China's blueprint for developing Sino-Arab relations, "1" refers to energy cooperation, which is at the core of the strategy.⁸² The "2" are the wings supporting energy cooperation, and they include infrastructure development and trade/investment facilitation. The "3" refers to necessary breakthroughs in high tech and include cooperation in the areas of nuclear energy, new and clean energy, and aerospace.⁸³ Chinese foreign policy in the region has been focused on multi-spectrum relations and has not focused on cultivating relations with any single country. For example, China maintains cordial relations with Iran, a key Saudi rival in the region.⁸⁴ China likely prefers Saudi Arabia over its regional rival, however, since Saudi Arabia is a more reliable supplier of oil and does not carry as much political baggage. In short, China's interests in the region are evolving, and Saudi Arabia is one of several allies in the region with which it is building closer ties. Fortunately for the Kingdom,

⁷⁸ Scobell and Nader, *China in the Middle East*, 10, 28.

⁷⁹ Xuming Qian, "The Belt and Road Initiatives and China's Middle East Energy Policy," *International Relations and Diplomacy* 4, no. 10 (October 28, 2016): 613, <https://doi.org/10.17265/2328-2134/2016.10.002>.

⁸⁰ Shannon Tiezzi, "Revealed: China's Blueprint for Building Middle East Relations," *The Diplomat*, January 14, 2016, <https://thediplomat.com/2016/01/revealed-chinas-blueprint-for-building-middle-east-relations/>.

⁸¹ Tiezzi.

⁸² Qian, "The Belt and Road Initiatives and China's Middle East Energy Policy," 613.

⁸³ Tiezzi, "Revealed: China's Blueprint for Building Middle East Relations."

⁸⁴ Hussain, *Saudi Arabia in a Multipolar World*, 150–51.

countries like China have a growing demand for Saudi oil, and it is unlikely to diminish in the near future.

In turn, for Saudi Arabia, China represents an alternative option to its dependence on the United States.⁸⁵ Saudi Arabia is using its relationship with China to strategically hedge against the United States.⁸⁶ Mordechai Chaziza defines strategic hedging as “a foreign policy employed by second-tier states in competing and cooperating with the system leader to cope with the uncertainties typical of unipolar systems.”⁸⁷ This strategy of hedging is not unique to Saudi Arabia in the Middle East, as Jean-Loup Samaan explains that “Gulf countries have progressively been diversifying their strategic option, by ‘hedging’ against the risk of a U.S. retreat and building ties with Asian powers.”⁸⁸ One of the Asian countries Saudi Arabia has turned to is China. Middle Eastern countries, including Saudi Arabia, are diversifying their portfolio when it comes to partnerships that can help them increase regional power.⁸⁹ For Saudi Arabia, increasing ties with China also sends a message to the United States that there are other countries available to help it achieve its objectives in the region.⁹⁰ Additionally, building closer ties with China will also help Saudi Arabia balance against its regional rival—the Islamic Republic of Iran.⁹¹ A clear example of this was when Saudi Arabia tried influencing China to implement stricter sanctions against Iran in 2010.⁹² According to Iain MacGillivray, “as Saudi Arabia starts to exert more pressure on China to contain Tehran, Beijing will find it difficult to sustain its policy of non-interference and middle of the road diplomacy.”⁹³ In short, Saudi Arabia has been increasingly using its relationship with China not just to

⁸⁵ Azad, “Saudi Arabia Looks East,” 140.

⁸⁶ Leverett and Bader, “Managing China-U.S. Energy Competition in the Middle East,” 195.

⁸⁷ Chaziza, “Strategic Hedging Partnership,” 441.

⁸⁸ Samaan, *Strategic Hedging in the Arabian Peninsula*, 2.

⁸⁹ Samaan, 3.

⁹⁰ Azad, “Saudi Arabia Looks East,” 140.

⁹¹ MacGillivray, “Maturing Sino-Saudi Strategic Relations and Changing Dynamics in the Gulf,” 61.

⁹² MacGillivray, 77.

⁹³ MacGillivray, 79.

benefit itself economically, but as a strategic way to communicate its discontent to the United States and to contain regional rivals to increase its position in the Middle East.⁹⁴

1. Economic Cooperation

Working closely with China can help Saudi Arabia move away from its dependence on oil and generate the necessary income to develop other sectors of the economy. Trade between China and Saudi Arabia has grown from \$296 million in 1990, when diplomatic ties were established, to \$73 billion in 2012.⁹⁵ Currently, crude oil and the petrochemical industry remain at the heart of the growing trade relationship that links Saudi Arabia and China, but that may change in the future if Prince Salman meets his objectives of diversifying the Saudi economy.⁹⁶

a. Oil

Saudi Arabia is one of the top suppliers of oil for China and has competed with Russia to become China's top oil supplier for years, as Figure 3 shows.⁹⁷ China is currently the world's top crude oil importer, and estimates from the U.S. Department of Commerce predict that China will continue to rely on oil imports to meet its energy needs. One report cited by the U.S. Department of Commerce predicts that China will import 80 percent of its crude oil supply by 2030.⁹⁸ As of 2019, China's growing need to import oil resulted from increased refinery capacity, declining domestic oil production,

⁹⁴ Chaziza, "Strategic Hedging Partnership," 441; MacGillivray, "Maturing Sino-Saudi Strategic Relations and Changing Dynamics in the Gulf," 79.

⁹⁵ Mohammed Turki Al-Sudairi, "Sino-Saudi Relations: An Economic History" (Gulf Research Center, August 2012), 3, https://www.files.ethz.ch/isn/156677/Final_Completed_Sino_Saudi_Economic_History_Report_3778.pdf; Dongmei Chen and Wenke Han, "Deepening Cooperation Between Saudi Arabia and China" (King Abdullah Petroleum Studies and Research Center, March 28, 2019), 10, <https://doi.org/10.30573/KS--2019-DP53>.

⁹⁶ Al-Sudairi, "Sino-Saudi Relations: An Economic History," 3; King Salman Bin Abdulaziz Al-Saud, "Saudi Vision 2030" (Kingdom of Saudi Arabia, 2016), 6, https://vision2030.gov.sa/sites/default/files/report/Saudi_Vision2030_EN_2017.pdf.

⁹⁷ "China - Oil and Gas," Export.gov, July 30, 2019, <https://www.export.gov/apex/article2?id=China-Oil-and-Gas>

⁹⁸ Export.gov.

and moves to increase strategic oil reserves.⁹⁹ Figure 4 shows that by July 2019, Saudi Arabia was exporting 1,802,788 million barrels per day (bpd) to China, a significant increase from August 2018 when it was exporting 921,811 bpd, while Saudi oil exports to the United States steadily declined.¹⁰⁰ If these trends continue, Saudi Arabia will likely have the opportunity to continue increasing oil exports to China, which would benefit Saudi Arabia significantly.

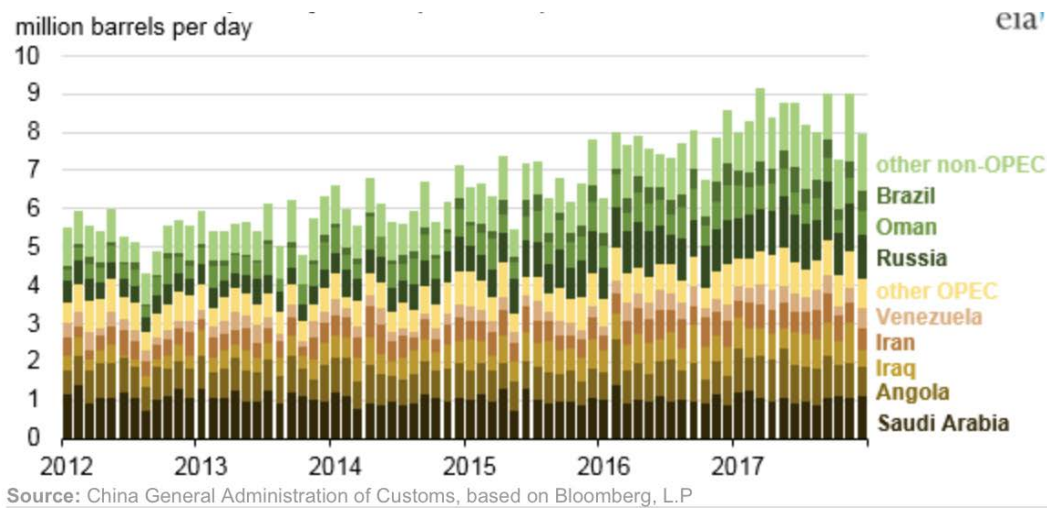


Figure 3. China's Crude Oil Imports by Origin from 2012 to 2017¹⁰¹

⁹⁹ Export.gov.

¹⁰⁰ Natasha Turak, "Saudi Arabia Is Dramatically Changing Its Oil Exports to China and the US," CNBC, August 15, 2019, <https://www.cnbc.com/2019/08/15/saudi-arabia-dramatically-changing-its-oil-exports-to-china-and-the-us.html>.

¹⁰¹ Source: Jeff Barron, "China Surpassed the United States as the World's Largest Crude Oil Importer in 2017," U.S. Energy Information Administration, February 5, 2018, <https://www.eia.gov/todayinenergy/detail.php?id=34812>.

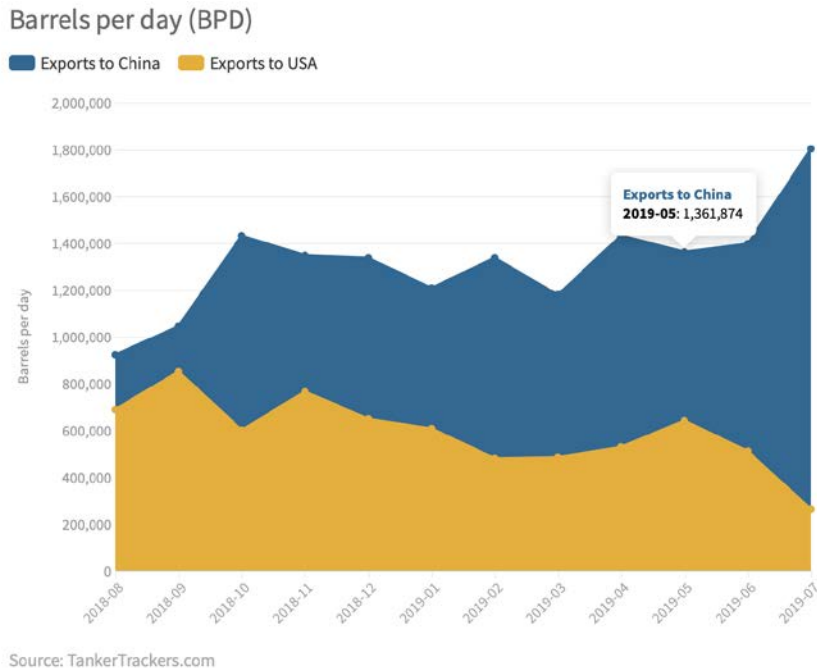


Figure 4. Saudi Arabia Oil Exports to China and the United States¹⁰²

China's increasing demand for oil benefits Saudi Arabia since its government heavily relies on the money generated from the sale of oil for funding, but China benefits as well.. A key benefit for China derived from importing Saudi oil is that Saudi Arabia is able to provide a reliable supply.¹⁰³ In the Middle East, China has placed greater emphasis on its relationship with Saudi Arabia over Iran because the former is less problematic and, as such, is perceived to be a more reliable and secure source of oil in the long term.¹⁰⁴ This policy was evident in late 2019 when China decreased oil imports from Iran and increased Saudi oil imports after the United States renewed sanctions on the Islamic Republic.¹⁰⁵ It is important for countries that depend heavily on exporting oil to determine how the market is shifting, since they face stiff competition from other regional players like Iraq. Saudi Arabia has determined that the future of the crude oil

¹⁰² Source: Turak, "Saudi Arabia Is Dramatically Changing Its Oil Exports to China and the US."

¹⁰³ Scobell and Nader, *China in the Middle East*, 35.

¹⁰⁴ Hussain, *Saudi Arabia in a Multipolar World*, 137.

¹⁰⁵ Muyu Xu and Chen Aizhu, "Saudi Retains Top Spot for China Crude Imports in Aug; Iran Sales Plunge," Reuters, September 25, 2019, <https://www.reuters.com/article/china-economy-trade-crude/saudi-retains-top-spot-for-china-crude-imports-in-aug-iran-sales-plunge-idUSL3N26G1KE>.

market is in Asia since the demand in Western markets has peaked and countries like China and India are not going to turn to alternative sources of fuel until after 2035. As such, China will likely remain an attractive destination for Saudi oil exports.¹⁰⁶

b. Petrochemicals

The petrochemical sector is one of eight sectors Saudi Arabia is hopeful will generate the requisite growth and jobs to double its GDP by 2030.¹⁰⁷ As such, the petrochemical sector offers increased trade and collaboration for Saudi and Chinese firms, and Chinese markets have been important for Saudi petrochemicals.¹⁰⁸ Saudi Arabia is one of the world's largest producers and exporters of petrochemicals, which constitute Saudi Arabia's largest non-oil export sector, while China is one of the largest consumers. In 2016, this industry comprised 60 percent of the Kingdom's non-oil exports at a value of around \$28 billion.¹⁰⁹ That same year, despite efforts to be self-sufficient, China imported 14.5 million metric tons of petrochemicals from GCC nations.¹¹⁰ If this trend continues it will likely lead to increased opportunities for the Saudi petrochemical sector. To achieve this objective, though, the sector will require foreign direct investment.¹¹¹ As of 2017, according to Norafidah Ismail, there were at least four joint petrochemical ventures between Saudi and Chinese firms in Quanzhou, Yanbu Industrial City, Tianjin, and Dalian.¹¹²

¹⁰⁶ Hussain, *Saudi Arabia in a Multipolar World*, 137–38.

¹⁰⁷ Al-Kibsi et al., "Saudi Arabia Beyond Oil: The Investment and Productivity Transformation," 7.

¹⁰⁸ Chen and Han, "Deepening Cooperation Between Saudi Arabia and China," 20.

¹⁰⁹ Chen and Han, 20.

¹¹⁰ Chen and Han, 20.

¹¹¹ Al-Kibsi et al., "Saudi Arabia Beyond Oil: The Investment and Productivity Transformation," 7.

¹¹² Norafidah Ismail, "Sino-Saudi Joint Ventures and Trade in Petrochemical Sector," in *Handbook of Research on Impacts of International Business and Political Affairs on the Global Economy*, ed. Norhayati Zakaria, Asmat-Nizam Abdul-Talib, and Nazariah Osman (Hershey, PA: IGI Global, 2016), 312–25, <https://doi.org/10.4018/978-1-4666-9806-2>.

c. Direct Investment

Increasing direct investment from Chinese firms will contribute to developing non-oil sectors of the Saudi economy and move it away from a dependence on oil. There are several areas in which Chinese firms have begun investing. For example, in a study conducted by in 2009, John Sfakianaki found that 158 Chinese companies were working in Saudi Arabia in sectors including construction, telecommunication, petrochemical, and infrastructure, amongst many others.¹¹³ In turn, Saudi Arabia has also invested in China. For example, SABIC invested millions in research and development in Chinese firms.¹¹⁴ Finding more countries willing to invest and increasing the investment amounts from countries like China will be increasingly more important moving forward for Saudi Arabia. According to a study by the McKinsey Global Institute, if Saudi Arabia is to reach its objective of doubling its GDP by 2030, it will require \$4 trillion in investment from Saudi and international private investors, and China will likely be a top priority for the Kingdom as a source of future investments.¹¹⁵

2. Diplomatic Relations

Saudi and Chinese officials have been working to bolster the diplomatic relations originally established in 1990. The meetings between Chinese and Saudi heads of state have focused on energy but have also addressed the topics of national sovereignty and security. The first state visit between China and Saudi Arabia took place in 1999, when Chinese President Jian Zemin visited King Fahd in Riyadh. The focus of this Sino-Saudi state visit, according to Jonathan Fulton, was energy cooperation. Similarly, in January 2006, during a visit from King Abdullah to China, the main areas of discussion were economic and trade issues, including cooperation in the areas of oil, natural gas, and minerals. Later that year, President Hu Jintao visited King Abdullah in Saudi Arabia and, again, energy cooperation remained a key focus of the visit.¹¹⁶ During this visit, the two

¹¹³ Hussain, *Saudi Arabia in a Multipolar World*, 146.

¹¹⁴ Scobell and Nader, *China in the Middle East*, 39.

¹¹⁵ Al-Kibsi et al., "Saudi Arabia Beyond Oil: The Investment and Productivity Transformation," 1; Hussain, *Saudi Arabia in a Multipolar World*, 146.

¹¹⁶ Fulton, *China's Relations with the Gulf Monarchies*, 72, 94–96.

countries signed a security agreement, and President Jintao expressed his support for Saudi efforts to “safeguard national sovereignty and territorial integrity.”¹¹⁷ This focus by President Jintao on sovereignty and territorial integrity came during a period when President George W. Bush was strongly promoting democracy in the Middle Eastern region. In 2009, President Jintao visited Saudi Arabia and this meeting generated proposals to maintain high level-visits and expand economic and trade cooperation.¹¹⁸ In May 2019, during a telephone conversation with King Salman, President Xi indicated that China “firmly supports Saudi Arabia’s efforts to safeguard national sovereignty, security and stability, and supports Saudi Arabia to promote economic transformation and achieve greater development.”¹¹⁹ King Salman and President Xi agreed to similar commitments during a 2017 meeting in China, in which security cooperation—along with energy, finance, and investment—was an area highlighted for closer cooperation.¹²⁰

This evolution of the Sino-Saudi relationship betrays a concentration on the domain of low politics but also a possible expansion into the area of high politics.¹²¹ High politics includes the issues that matter most to a state, like national sovereignty and security. All other matters, including the economy and trade, fall in the category of low politics.¹²² In short, since the establishment of diplomatic relations between the two countries, their interactions have been heavily focused on energy cooperation and trade, while security ties have developed far more slowly, and include some sensitive topics.¹²³

¹¹⁷ Fulton, 96.

¹¹⁸ Hussain, *Saudi Arabia in a Multipolar World*, 145.

¹¹⁹ Ben Blanchard, “China’s Xi Speaks to Saudi King Amid Iran Tensions,” Reuters, May 8, 2019, <https://www.reuters.com/article/us-usa-iran-china-saudi-idUSKCN1SE1S3>.

¹²⁰ Robbie Grammer, “Saudi Arabia, China Sign Deals Worth Up to \$65 Billion,” Foreign Policy, March 16, 2017, <https://foreignpolicy.com/2017/03/16/saudi-arabia-china-sign-deals-worth-65-billion-boost-trade-ties-oil-energy-one-belt-one-road-saudi-vision-2030/>.

¹²¹ Yamada, “Saudi Arabia’s Look-East Diplomacy,” 121–22.

¹²² Siousiouras Petros and Dalaklis Dimitrios, “High Politics and Low Politics in EU-China Relations: Do They Meet?,” in *EU – East and South Asia Trade, Investment, Logistics and E-Business*, ed. Nikitas Nikitakos and Georgios Dourmas, (Greece: I. Sideris, 2009), 3, https://www.researchgate.net/publication/281637653_HIGH_POLITICS_AND_LOW_POLITICS_IN_EU-CHINA_RELATIONS_DO_THEY_MEET.

¹²³ Kechichian, “Saudi Arabia and China: The Security Dimension.”

Currently there are no major disagreements between Saudi Arabia and China, but there are issues they disagree on, like the Syrian Civil War and how to deal with Iran. In regard to Syria, Saudi Arabia opposes the Assad regime since the regime is a close ally to Iran. China has sided with Russia, has supported Assad, and has vetoed UN resolutions regarding the civil war. As a result, Saudi Arabia has voiced its displeasure with China over this issue. Iran is also a point of contention for the Sino-Saudi relationship.¹²⁴ Iran is Saudi Arabia's regional rival, while China views the Islamic Republic as a problematic partner that can nevertheless help China meet its energy needs.¹²⁵ Iran is an important source of oil for China. Recently, however, Chinese imports of Iranian oil dropped due to the U.S. reinstating sanctions against the Islamic Republic. It appears that China may be limiting its economic engagement with Iran, at least at the moment, and Saudi Arabia has been benefitting from this situation.¹²⁶ In short, to date, there are points of tension in the Sino-Saudi relationship but nothing significant that could curtail the relationship's growth.

3. Military and Security Cooperation

Sino-Saudi military cooperation, including arms sales, have remained limited in scope.¹²⁷ Cooperation in the realm of defense and security predate the establishment of diplomatic ties between the two countries and can be traced to 1988, when Saudi Arabia purchased CSS-2 intermediate-range ballistic missiles from China.¹²⁸ Military sales between the two countries, according to available data, are negligible when compared to U.S.-Saudi weapon transactions.¹²⁹ Although Saudi Arabia does not view China as a

¹²⁴ Hussain, *Saudi Arabia in a Multipolar World*, 124–25.

¹²⁵ Scobell and Nader, *China in the Middle East*, 33.

¹²⁶ Dan Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran," Atlantic Council, October 1, 2019, <https://www.atlanticcouncil.org/blogs/iransource/despise-sanctions-china-is-still-doing-some-business-with-iran/>.

¹²⁷ Scobell and Nader, *China in the Middle East*, 39.

¹²⁸ Hussain, *Saudi Arabia in a Multipolar World*, 147.

¹²⁹ Scobell and Nader, *China in the Middle East*, 41.

replacement for its leading supplier of weapons, the Kingdom does, in part, see China as an alternative option for whenever the U.S. refuses to sell specific types of systems.¹³⁰

In the area of military-military exchanges and exercises the Sino-Saudi relationship is also limited, even more so than in the sector of arms sales. Andrew Scobell and Alireza Nader found from a 2012 defense white paper from China that its armed forces have not participated in a military exercise with Saudi armed forces, whether bilateral or multilateral.¹³¹ In 2016, Saudi Arabia held its first anti-terrorism drills with China. The drill took place in China and involved twenty-five people from each country.¹³²

A concern for Saudi Arabi is that its military lacks the manpower to effectively mobilize to defend territorial sovereignty against regional aggressors. As a result, the Kingdom is largely dependent on the United States for its regional security.¹³³ The rise of Iranian influence in the Middle East region, its growing proxy network, its meddling in the internal affairs of Saudi regional partners, and the willingness of the United States to remove sanctions in 2015 add to Saudi Arabia's security concerns.¹³⁴ If Saudi Arabia seeks to reduce its dependence on the United States in the security realm, it would benefit from strengthening security ties with China.

C. CONCLUSION

Over the last three decades, Saudi Arabia's relationship with China has evolved into one of its most important relationships. Saudi Arabia benefits from securing a dependable energy partner that will import its oil and can help meet strategic objectives,

¹³⁰ Hussain, *Saudi Arabia in a Multipolar World*, 148.

¹³¹ Scobell and Nader, *China in the Middle East*, 40.

¹³² Michael Martina, "China Holds First Anti-Terror Drills with Saudi Arabia," Reuters, October 26, 2016, <https://www.reuters.com/article/us-china-saudi-security/china-holds-first-anti-terror-drills-with-saudi-arabia-idUSKCN12R0FD>.

¹³³ Geoffrey F. Gresh, "The Gulf Looks East: Sino-Arab Relations in an Age of Instability," *Sociology of Islam* 4, no. 1–2 (April 15, 2016): 153, <https://doi.org/10.1163/22131418-00402003>.

¹³⁴ Umer Karim, "The Evolution of Saudi Foreign Policy and the Role of Decision-Making Processes and Actors," *The International Spectator* 52, no. 2 (June 7, 2017): 78–79, <https://doi.org/10.1080/03932729.2017.1308643>.

as outlined in the Saudi 2030 Vision.¹³⁵ In turn, China benefits from having access to Saudi oil to meet its growing thirst for the commodity. With China projected to remain one of the leading importers of oil for the foreseeable future, and Saudi Arabia likely to continue to over rely on the export of oil for revenue, the likely result is that the two countries will continue to move closer together.¹³⁶ Furthermore, Saudi Arabia welcomes China's policy of noninterference where human rights violations or issues regarding oppression create less of a roadblock to doing business.¹³⁷

Additional benefits for Saudi Arabia having a close relationship with China, besides economic incentives, include being able to turn to China when there is uncertainty in its relationship with the United States. This was the case when Obama pursued a nuclear deal with Saudi Arabia's regional rival, Iran, which led to dissatisfaction amongst key leaders in the Kingdom. Saudi Arabia understands that overreliance on the United States will leave it vulnerable when there are policy disagreements between the two states.¹³⁸ As such, Saudi Arabia has engaged in hedging behavior by diversifying its portfolio of partnerships and that includes its partnership with China. Furthermore, Saudi Arabia also benefits from being the preferred partner of choice in the region, over Iran.¹³⁹ In 2019, China increased oil imports from Saudi Arabia after it lowered imports from Iran, due to renewed U.S. sanctions on the Islamic Republic.¹⁴⁰ China has been hesitant to play favorites in the Middle Eastern region, but it is clear that China prefers dealing with less problematic partners.¹⁴¹

¹³⁵ Scobell and Nader, *China in the Middle East*, 46; King Salman Bin Abdulaziz Al-Saud, "Saudi Vision 2030."

¹³⁶ Qian and Fulton, "China-Gulf Economic Relationship under the 'Belt and Road' Initiative," 13; Yamada, "Saudi Arabia's Look-East Diplomacy," 134; Fulton, *China's Relations with the Gulf Monarchies*, 106.

¹³⁷ Scobell and Nader, *China in the Middle East*, 30.

¹³⁸ Chaziza, "Strategic Hedging Partnership," 441, 446.

¹³⁹ MacGillivray, "Maturing Sino-Saudi Strategic Relations and Changing Dynamics in the Gulf," 61.

¹⁴⁰ Xu and Aizhu, "Saudi Retains Top Spot for China Crude Imports in Aug; Iran Sales Plunge."

¹⁴¹ Hussain, *Saudi Arabia in a Multipolar World*, 137.

The Sino-Saudi relationship has largely remained in the realm of low-politics.¹⁴² Security ties between the two countries do not appear to be on the same level of importance as trade, since they have been slower to develop.¹⁴³ For example, Sino-Saudi military sales are negligible when compared to U.S.-Saudi military sales.¹⁴⁴ Whether the Sino-Saudi relationship evolves into the realm of high politics in the future remains to be seen. What is clear is that China will remain an attractive partner for Saudi Arabia in the foreseeable future.

¹⁴² Yamada, “Saudi Arabia’s Look-East Diplomacy,” 121–22.

¹⁴³ Kechichian, “Saudi Arabia and China: The Security Dimension.”

¹⁴⁴ Scobell and Nader, *China in the Middle East*, 41.

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III. SINO-PERSIAN RELATIONS

Over the last 40 years, Iran's relationship with China has evolved from one focused on arms sales to one centered on oil and energy trade.¹⁴⁵ This relationship has steadily increased in importance for Iran as it has faced mounting opposition by the international community over its behavior, including its decision to pursue a nuclear weapons program.¹⁴⁶ Following years of economic sanctions and continued efforts by the United States to destabilize the Iranian regime, the Islamic Republic has retained very few international allies.¹⁴⁷ Recently, Iran has deepened economic, diplomatic, and military ties with China, which is one of the few countries still willing to work with the rogue regime.¹⁴⁸

Analyzing the factors that drive the Islamic Republic to pursue stronger ties with China and examining Sino-Persian economic, diplomatic, and military cooperation reveal important insights. Sanctions, economic challenges, and domestic unrest have led to Iran seeking partnerships that can help provide relief to these conditions and in China it has found such a partner. Also advantageous is the fact that building closer ties with China, a country that has advanced technology and military capabilities, and is willing to sell it to Iran can help the Islamic Republic to strategically balance against U.S. influence in the Middle East.¹⁴⁹

¹⁴⁵ Peter Mackenzie, *A Closer Look at China-Iran Relations* (Center for Naval Analysis, 2010), 4, https://www.cna.org/CNA_files/PDF/D0023622.A3.pdf.

¹⁴⁶ Ariana Tabatabai and Dina Esfandiary, *Triple-Axis: Iran's Relations with Russia and China* (New York: I. B. Tauris, 2018), 71–72.

¹⁴⁷ Alex Yacoubian, "Iran's Increasing Reliance on China," *The Iran Primer*, December 3, 2019, <https://iranprimer.usip.org/blog/2019/sep/11/irans-increasing-reliance-china>; Tabatabai and Esfandiary, *Triple-Axis*, 71; Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 1.

¹⁴⁸ Harold and Nader, 2, 6.

¹⁴⁹ Harold and Nader, 1; Yacoubian, "Iran's Increasing Reliance on China."

A. U.S. AND INTERNATIONAL SANCTIONS HAVE LED IRAN CLOSER TO CHINA

For years, the United States and the international community have levied sanctions against Iran, contributing to the regime's isolation and lack of allies or trade partners.¹⁵⁰ A major challenge for the Islamic Regime is how to overcome the continuous pressure it faces from the United States. For example, in 2018, President Trump started a campaign to apply "maximum pressure" on the Islamic Republic, reinstating U.S. sanctions and further deteriorating socio-economic conditions in Iran.¹⁵¹ Today, as during the period following the Iranian Revolution and the imposition of international sanctions in 2010, countries doing business with Iran are beginning to shy away.¹⁵² The most recent sanctions have barred Iran from participating in the global financial system, which has led to companies in Qatar, United Arab Emirates, and Turkey that conduct business with Iran to stop their business ventures.¹⁵³ After sanctions were reinstated in 2018, both oil exports, as evidenced in Figure 5, and foreign direct investments have declined in Iran.¹⁵⁴ In short, continued tension with the United States has further isolated the Islamic Republic from the international community by leaving it with few countries willing to conduct business with it, leading it to seek countries still willing to work with it to reduce the impact of U.S. pressure.¹⁵⁵ Iran is aware it is not able to compete against the United States so its best option is to find countries willing to work with it to soft-balance against the United States and China is such a partner.

¹⁵⁰ Tabatabai and Esfandiary, *Triple-Axis*, 10; Pooya Azadi, "Iran: A Troubled Economy on the Verge of New Sanctions," Iran Stanford 2040 Project, May 2018, https://iranian-studies.stanford.edu/sites/g/files/sbiybj6191f/publications/a_troubled_economy_on_the_verge_of_new_sanctions.pdf.

¹⁵¹ "Six Charts That Show How Hard U.S. Sanctions Have Hit Iran," BBC News, December 9, 2019, <https://www.bbc.com/news/world-middle-east-48119109>.

¹⁵² John W. Garver, *China and Iran: Ancient Partners in a Post-Imperial World* (Seattle: University of Washington Press, 2006), 291–301; Parisa Hafezi, "Sanctions-Hit Iran Props up Economy with Bartering, Secret Deals," Reuters, September 25, 2019, <https://www.reuters.com/article/us-iran-usa-economy-sanctions/sanctions-hit-iran-props-up-economy-with-bartering-secret-deals-idUSKBN1WA13M>.

¹⁵³ Hafezi, "Sanctions-Hit Iran Props up Economy with Bartering, Secret Deals."

¹⁵⁴ BBC News, "Six Charts That Show How Hard U.S. Sanctions Have Hit Iran"; Yacoubian, "Iran's Increasing Reliance on China."

¹⁵⁵ Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran."

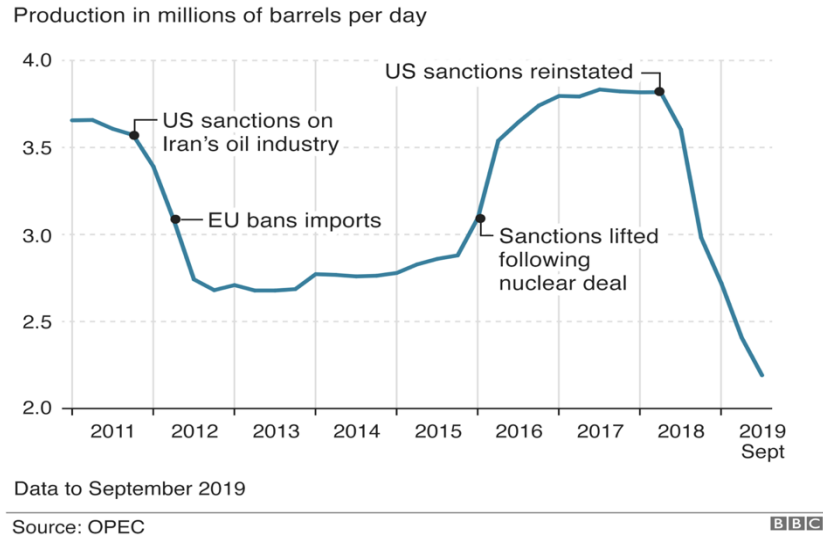


Figure 5. Iran's Oil Output from 2011 to 2019¹⁵⁶

Keeping the regime in power is a major concern for Iran since it is geographically and politically surrounded by countries that are hostile toward it, like Saudi Arabia and its Gulf Cooperation Council allies, Israel, and the United States, and it lacks the military power to defend itself.¹⁵⁷ To counter these threats Iran must be militarily capable to defend itself or rely on other countries willing to protect it. Due to sanctions, Iran is limited in the type of weaponry it can purchase. Iran's conventional forces have suffered from their inability to obtain necessary weapons systems and equipment. Due to the hostile environment that surrounds it and its conventional military limitations, Iran has pursued a policy of supporting nonstate militias throughout the region to expand its influence and has been largely successful in this endeavor.¹⁵⁸ Despite these successes, Iran still looks for countries willing to work with it to counter its regional rivals, sell it weapons, and provide other supplies it needs.

¹⁵⁶ Source: BBC News, "Six Charts That Show How Hard U.S. Sanctions Have Hit Iran."

¹⁵⁷ Melissa G. Dalton, "Iranian Backed Militias: Destabilizing the Middle East," House Foreign Affairs Committee (2017), 2, <https://docs.house.gov/meetings/FA/FA18/20171004/106468/HHRG-115-FA18-Wstate-DaltonM-20171004.pdf>.

¹⁵⁸ Dalton, 2.

Overcoming the negative impact that sanctions have had on the Iranian economy as a result of driving would-be investors away and reducing the number of countries willing to buy Iranian oil is another major challenge. The new series of sanctions imposed by the United States have had a crippling effect on the Iranian economy.¹⁵⁹ Those effects are expected to continue to cripple the Islamic Republic into the next few years. At the end of 2019, the IMF expected the Iranian economy to be 90 percent of what it was two years earlier.¹⁶⁰ For 2020, some international organizations are expecting zero growth in the Iranian economy.¹⁶¹ Furthermore, the IMF expects inflation to hit 29 percent during 2020, while the World Bank estimates it will be closer to 31 percent.¹⁶² Iran enjoyed a period of economic growth that included an increase in oil exports during the period in which the U.S. was part of JCPOA, but that growth is now long gone, as Figure 6 portrays.¹⁶³

¹⁵⁹ Henry Rome, “Iran’s Crisis Budget,” The Iran Primer, December 16, 2019, <https://iranprimer.usip.org/blog/2019/dec/16/irans-crisis-budget>; BBC News, “Six Charts That Show How Hard U.S. Sanctions Have Hit Iran.”

¹⁶⁰ Davide Barbuscia, “Iran Economy to Shrink 9.5% This Year amid Tighter U.S. Sanctions, Says IMF,” Reuters, October 15, 2019, <https://www.reuters.com/article/us-iran-economy-imf/iran-economy-to-shrink-95-this-year-amid-tighter-us-sanctions-says-imf-idUSKBN1WU28M>.

¹⁶¹ BBC News, “Six Charts That Show How Hard U.S. Sanctions Have Hit Iran”; Yacoubian, “Iran’s Increasing Reliance on China.”

¹⁶² Rome, “Iran’s Crisis Budget.”

¹⁶³ BBC News, “Six Charts That Show How Hard U.S. Sanctions Have Hit Iran.”

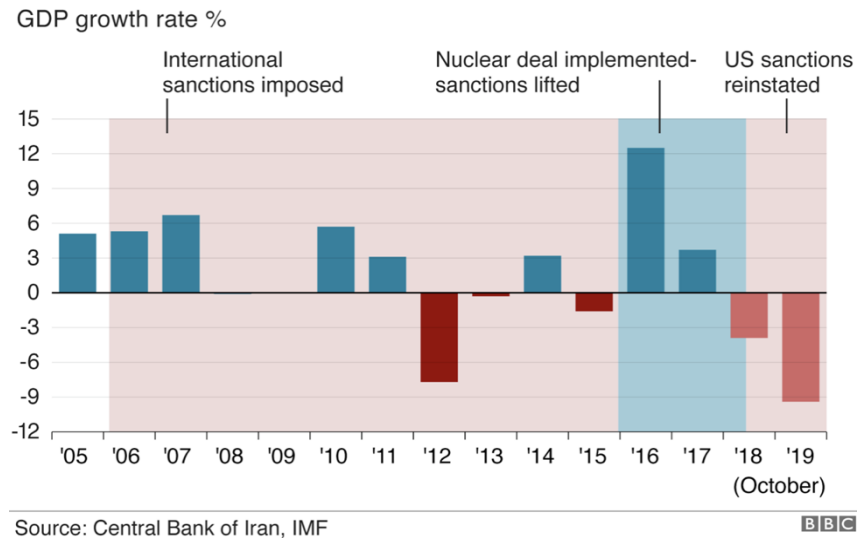


Figure 6. Iranian Economic Growth from 2005 to 2019¹⁶⁴

The economic challenges from sanctions threaten the regime since the domestic population has protested country-wide to demand relief from the hardships the people are facing. Iran has an unhealthy economy, capital flight, widespread corruption, severe droughts, water shortages, high unemployment rates and inflation.¹⁶⁵ The Iranian people are tired of the government's inability to address these issues and frustrated with what some feel has been the mismanagement of the economy by the government.¹⁶⁶ This combination of socio-economic grievances has been at the center of protests that have occurred in Iran in recent years and this threatens the stability of the regime. Recent protests have been larger in size, bolder, and directly aimed against the regime. For example, protestors burned a statue of the founder of the Islamic Republic, Ayatollah Khomeini, and have attacked police and military sites throughout the country.¹⁶⁷

¹⁶⁴ Source: BBC News.

¹⁶⁵ BBC News.

¹⁶⁶ Michael McFaul and Abbas Milani, "Why Trump's Plans for Regime Change in Iran Will Have the Opposite Effect," *Washington Post*, May 30, 2018, <https://www.washingtonpost.com/news/global-opinions/wp/2018/05/30/why-trumps-plans-for-regime-change-in-iran-will-have-the-opposite-effect/>; Azadi, "Iran: A Troubled Economy on the Verge of New Sanctions"; Ali Fathollah-Nejad, "Why Iranians Are Revolting Again," Brookings, November 19, 2019, <https://www.brookings.edu/blog/order-from-chaos/2019/11/19/why-iranians-are-revolting-again/>.

¹⁶⁷ Fathollah-Nejad, "Why Iranians Are Revolting Again."

Furthermore, as part of the protests, many demonstrators have openly called for the end of the Islamic Republic. In response, the Iranian government conducted brutal crackdowns during which security forces used lethal force against protestors.¹⁶⁸ Most recently, in late 2019, Iran experienced the deadliest political unrest in years; it started when widespread protests aimed at the government turned violent and resulted in the death of at least 180 people.¹⁶⁹ The government has thus demonstrated that it maintains the capacity to suppress protests, but whether it can effectively address the socio-economic grievances that led to the riots remains to be seen.¹⁷⁰ As such, Iran is actively looking for countries willing to invest domestically and buy its oil as a means of overcoming the crippling effects of U.S. sanctions.

B. SINO-PERSIAN RELATIONS

China has demonstrated a willingness in the past to stand by Iran during difficult moments, and it has the financial capability to help the regime alleviate some of the difficulties created by sanctions.¹⁷¹ Additionally, for Iran, China is a country they can partner with to soft balance against the United States the leading proponent of sanctions against the Islamic regime. China has cautiously maneuvered closer to Iran over the past few decades, after the United States and Europe left a diplomatic and economic void following the establishment of the Islamic Republic and the implementation of sanctions.¹⁷² In particular, China increased its presence in Iran in the early 2000s during

¹⁶⁸ Farnaz Fassihi and Rick Gladstone, “With Brutal Crackdown, Iran Is Convulsed by Worst Unrest in 40 Years,” *New York Times*, December 1, 2019, <https://www.nytimes.com/2019/12/01/world/middleeast/iran-protests-deaths.html>.

¹⁶⁹ Alex Vatanka, “Iran Protests Take Aim at the Regime,” Middle East Institute, November 18, 2019, <https://www.mei.edu/blog/iran-protests-take-aim-regime>; Fassihi and Gladstone, “With Brutal Crackdown, Iran Is Convulsed by Worst Unrest in 40 Years”; Suzanne Maloney, “Iranian Protesters Strike at the Heart of the Regime’s Revolutionary Legitimacy,” Brookings, November 19, 2019, <https://www.brookings.edu/blog/order-from-chaos/2019/11/19/iranian-protesters-strike-at-the-heart-of-the-regimes-revolutionary-legitimacy/>.

¹⁷⁰ Maloney, “Iranian Protesters Strike at the Heart of the Regime’s Revolutionary Legitimacy”; Fassihi and Gladstone, “With Brutal Crackdown, Iran Is Convulsed by Worst Unrest in 40 Years”; Fathollah-Nejad, “Why Iranians Are Revolting Again.”

¹⁷¹ Tabatabai and Esfandiary, *Triple-Axis*, 71–78; Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 5–9.

¹⁷² Scobell and Nader, *China in the Middle East*, 49–55; Tabatabai and Esfandiary, *Triple-Axis*, 71–80; Garver, *China and Iran*, 283–85.

the same period Western companies began withdrawing from the Islamic Republic after its secret uranium program was revealed.¹⁷³

In seeking relief for the damage caused by sanctions and international isolation, Iran has grown closer with China since it is willing to trade, sell weapons, and, on occasion, help defy international pressure. Iran continues to deal with challenges it is unable to resolve on its own and will need assistance from other countries if it expects to improve its current situation. In particular, Iran is likely looking for a partner that is not closely aligned to the United States or, at the very least, is willing to confront the hegemon.¹⁷⁴ Today, China, mainly due to its growing economic, military, and diplomatic power, is the most attractive option available from the countries that are still willing to conduct business with the rogue regime.¹⁷⁵ For Iran, China has developed into a key strategic partner. An area of concern for Iran is that the relationship that has emerged is unbalanced; Iran has developed a dependence on China as a trade partner, including weapons purchases.¹⁷⁶ On the other hand, China has the ability to turn to other Middle Eastern countries, like Saudi Arabia, to meet its energy needs.

1. Economic Cooperation

Iran's economic relationship with China falls into two broad categories: energy trade and infrastructure. Oil sales tend to dominate the former, while direct investment facilitate the latter.

a. Oil

At the core of Sino-Persian trade is China's growing need for oil.¹⁷⁷ In 2000, five percent of Iran's total oil exports were sold to China, and by 2017 this number had

¹⁷³ Harold and Nader, *China and Iran: Economic, Political, and Military Relations*, 4–5.

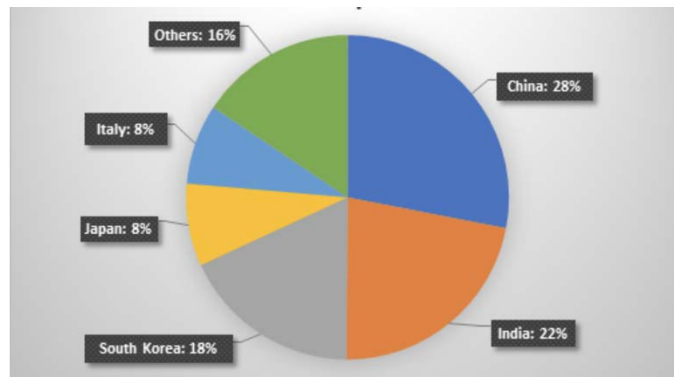
¹⁷⁴ Harold and Nader, 1–6.

¹⁷⁵ Harold and Nader, 1–6; Mackenzie, *A Closer Look at China-Iran Relations*, 4–5; Tabatabai and Esfandiary, *Triple-Axis*, 71–78.

¹⁷⁶ Harold and Nader, *China and Iran: Economic, Political, and Military Relations*, 10–14.

¹⁷⁷ Qian and Fulton, "China-Gulf Economic Relationship under the 'Belt and Road' Initiative," 13; Tabatabai and Esfandiary, *Triple-Axis*, 76; Scobell and Nader, *China in the Middle East*, 59.

increased to 28 percent.¹⁷⁸ Figure 7 illustrates that in 2017, China was the main destination for Iranian oil. In turn, for China, during that same period, exports of Iranian oil accounted for only nine percent of its total oil imports. Since sanctions were reinstated in 2018, there have been several shifts in oil imports between Iran and China.¹⁷⁹ To curtail the damage caused by sanctions in the past, Iran has turned to countries willing to work with it—particularly non-Western countries like Russia and China.¹⁸⁰ The state of the Iranian economy makes it evident that Iran has to actively pursue countries, like China, that can provide some relief to its economic situation by continuing to trade with it or, if possible, by increasing the trade amount.



Source: [The Observatory of Economic Complexity](#)

Figure 7. Iran's Top Oil Export Destinations for 2017¹⁸¹

In China, Iran has a partner that is willing to work with it despite the regime continuing to face pressure by the United States.¹⁸² Iran has benefitted from its relationship with China, not least because China has emerged as Iran's biggest economic partner, which led the Islamic Regime to generate profits it would otherwise not have

¹⁷⁸ Qian and Fulton, "China-Gulf Economic Relationship under the 'Belt and Road' Initiative," 13; Tabatabai and Esfandiary, *Triple-Axis*, 76; Scobell and Nader, *China in the Middle East*, 59.

¹⁷⁹ Yacoubian, "Iran's Increasing Reliance on China," 3–4.

¹⁸⁰ Esfandiary and Tabatabai, *Triple-Axis*, 71–78.

¹⁸¹ Source: Yacoubian, "Iran's Increasing Reliance on China."

¹⁸² Esfandiary and Tabatabai, *Triple-Axis*, 71–78; Harold and Nader, *China and Iran: Economic, Political and Military Relations*.

had.¹⁸³ China is an obvious trading partner for Iran since other countries are not willing to trade with it and China has a growing demand for Iran’s main export item—oil. Iran remains one of the largest energy reserve regions, and energy trade is the backbone of Sino-Persian economic ties.¹⁸⁴ In 2014, bilateral trade between the two countries reached \$51.8 billion, as Figure 8 depicts.¹⁸⁵ In 2017, China was the top destination for Iranian exports, importing 31 percent of the Islamic Republic’s total exports for a total value of \$16.9 billion, 64 percent of which was crude oil.¹⁸⁶

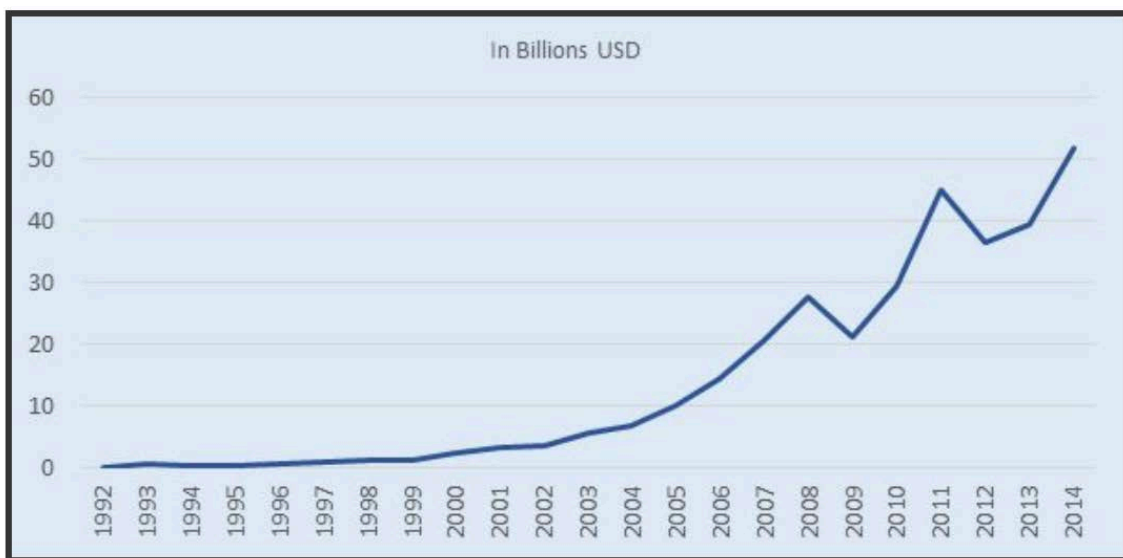


Figure 8. Bilateral Trade between China and Iran from 1992 to 2014¹⁸⁷

¹⁸³ Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 10–18.

¹⁸⁴ Scobell and Nader, *China in the Middle East*, 59–61; Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 10–11; Mackenzie, *A Closer Look at China-Iran Relations*, 4.

¹⁸⁵ Emma Scott, “Defying Expectations: China’s Iran Trade and Investments,” Middle East Institute, April 6, 2016, 1, <https://www.mei.edu/publications/defying-expectations-chinas-iran-trade-and-investments>.

¹⁸⁶ “Iran,” Observatory of Economic Complexity, accessed January 8, 2020, <https://oec.world/en/profile/country/irn/>; “What Does China Import from Iran? (2017),” Observatory of Economic Complexity, accessed January 11, 2019, https://oec.world/en/visualize/tree_map/hs92/import/chn/irn/show/2017/.

¹⁸⁷ Source: Yacoubian, “Iran’s Increasing Reliance on China,” 3.

China's need to diversify its energy imports, due to its growing energy needs and its decision to reduce its reliance on coal, makes the relationship with Iran a good fit.¹⁸⁸ During the 1990s, China's economy grew due to its rapid industrialization, and with that its energy needs increased.¹⁸⁹ Furthermore, the Iranian market provided opportunities for any country willing to invest in it, and particularly those that had money to invest. Although Iran's hydrocarbon resources remain some of the largest in the world, the extraction rates have remained relatively low compared to other countries. Inadequate and aging technology, along with a lack of foreign investment, have contributed to the Islamic Republic not being able to take better advantage of one of its main resource, hydrocarbons; so, countries willing to invest can potentially make a good profit.¹⁹⁰ So far, China has continued to be willing to remain a key trading partner to the Islamic Republic.¹⁹¹

Recently, Iranian oil exports to China have significantly fluctuated due to sanctions.¹⁹² In May 2018, China was importing 29 percent of total sales of Iranian oil, which equated to 775,000 bpd.¹⁹³ During that same month, the Trump Administration abandoned the nuclear deal, and, by November 2018, the United States had formally reinstated sanctions.¹⁹⁴ Figure 9 illustrates the drop in Iran's total oil exports to China from the May 2018 quantity to 333,300 bpd in September of that same year. China had

¹⁸⁸ Tabatabai and Esfandiary, *Triple-Axis*, 98–99.

¹⁸⁹ Yacoubian, "Iran's Increasing Reliance on China."

¹⁹⁰ Tabatabai and Esfandiary, *Triple-Axis*, 98–99.

¹⁹¹ Yacoubian, "Iran's Increasing Reliance on China"; Scott, "Defying Expectations: China's Iran Trade and Investments"; Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran."

¹⁹² Yacoubian, "Iran's Increasing Reliance on China"; Joel Wuthnow, "Posing Problems without an Alliance: China-Iran Relations after the Nuclear Deal" (Institute of National Strategic Studies: National Defense University, February 2016), 2, <https://inss.ndu.edu/Media/News/Article/654743/posing-problems-without-an-alliance-china-iran-relations-after-the-nuclear-deal/>; Chen Aizhu et al., "China Continued Iran Oil Imports in July in Teeth of U.S. Sanctions: Analysts," Reuters, August 8, 2019, <https://www.reuters.com/article/us-china-iran-oil/china-continued-iran-oil-imports-in-july-in-teeth-of-u-s-sanctions-analysts-idUSKCN1UY11S>.

¹⁹³ Yacoubian, "Iran's Increasing Reliance on China."

¹⁹⁴ Yacoubian; Anjali Singhvi, Edward Wong, and Denise Lu, "Defying U.S. Sanctions, China and Others Take Oil From 12 Iranian Tankers," *New York Times*, August 3, 2019, <https://www.nytimes.com/interactive/2019/08/03/world/middleeast/us-iran-sanctions-ships.html>.

initially received a waiver from the United States allowing it to buy Iranian oil without penalty.¹⁹⁵ By June 2019, China was continuing to import Iranian oil following the expiration of the U.S. waivers, which had occurred during the previous month, but by this period the total volume had significantly decreased.¹⁹⁶ Iran has continued to export oil and has found willing buyers in Asia and the Mediterranean but at a much lower volume than in previous years.¹⁹⁷

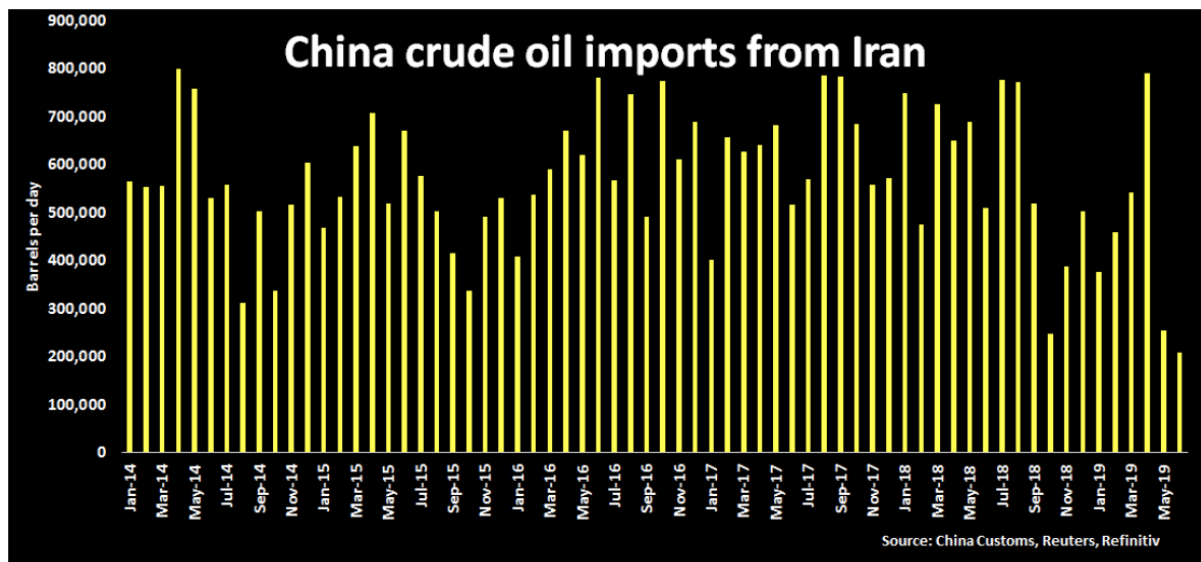


Figure 9. Chinese Crude Oil Imports from Iran from January 2014 to May 2019¹⁹⁸

Overall, U.S. sanctions have had a substantial impact on Iranian oil exports. For example, Iran was exporting 2.5 million bpd in April 2018, and one year later that

¹⁹⁵ Aizhu et al., “China Continued Iran Oil Imports in July in Teeth of U.S. Sanctions: Analysts.”

¹⁹⁶ Yacoubian, “Iran’s Increasing Reliance on China”; Aizhu et al., “China Continued Iran Oil Imports in July in Teeth of U.S. Sanctions: Analysts.”

¹⁹⁷ Singhvi, Wong, and Lu, “Defying U.S. Sanctions, China and Others Take Oil From 12 Iranian Tankers.”

¹⁹⁸ Source: Aizhu et al., “China Continued Iran Oil Imports in July in Teeth of U.S. Sanctions: Analysts.”

number had reduced to 1 million bpd, even while the U.S. waivers were still valid.¹⁹⁹ By June 2019, after the U.S. waivers had expired, Iran was exporting approximately 500,000 bpd.²⁰⁰ As of August 2019, some senior Trump Administration officials have estimated that between 50 and 70 percent of total exported Iranian oil is heading to China.²⁰¹ If these most recent numbers are true, China may increase in importance for the Islamic Republic in the immediate future.

b. Investments

Iran's economic relationship with China goes beyond energy trade. Iran has allowed China to invest in many parts of the country's infrastructure, including subway stations, airports, dams, shipbuilding, and electricity. Missile attacks and artillery shelling from Iraq left Iran's infrastructure in a dire state after the end of the Iran-Iraq war, and the Islamic Republic lacked the capital to rebuild on its own. As a result, Iran sought foreign investors, especially China, for assistance. For example, in 2001, China's International Trust and Investment Corporation (CITIC) helped Iranian companies complete the first line of the capital's metro. The bid for this project had started in 1991, and the initial agreement occurred five years later.²⁰² Iran would likely have had a difficult time completing this project on its own, since it lacked the necessary technology, including the braking system, which it obtained from China.²⁰³ China has also invested in Iran's energy infrastructure—\$30 billion in 2009 alone.²⁰⁴ Chinese companies have also invested in developing several gas and oil fields in recent years, including South Pars Phase 11, South Azadegan, and Isfahan Oil Refinery.²⁰⁵ Iran will benefit from additional Chinese investments in sectors like manufacturing, transport, construction, and energy.

¹⁹⁹ Singhvi, Wong, and Lu, "Defying U.S. Sanctions, China and Others Take Oil From 12 Iranian Tankers."

²⁰⁰ Singhvi, Wong, and Lu.

²⁰¹ Aizhu et al., "China Continued Iran Oil Imports in July in Teeth of U.S. Sanctions: Analysts."

²⁰² Tabatabai and Esfandiary, *Triple-Axis*, 107–12.

²⁰³ Harold and Nader, *China and Iran: Economic, Political, and Military Relations*, 10–11.

²⁰⁴ Scobell and Nader, *China in the Middle East*, 60.

²⁰⁵ Scobell and Nader, 60.

2. Diplomatic Relations

Iran has benefited diplomatically from having a close relationship with China, since it is able to take advantage of China's diplomatic power and the leverage that state has in institutions like the United Nations. Most notably, China has provided Iran with international support that has likely shielded it from more severe sanctions after its secret uranium enrichment program was revealed.²⁰⁶ Initially, China refused to cooperate with the United States and prevented the Iran nuclear issue from being referred to the International Atomic Energy Agency (IAEA).²⁰⁷ In doing so, China prevented the issue from being referred to the United Nations Security Council for sanctions, thereby delaying international sanctions.²⁰⁸ In 2010, China actively worked to curtail U.S. efforts that would have implemented more severe sanctions against Iran, then was also responsible for postponing the vote for this new set of sanctions. China later agreed with a more watered-down version of the initially proposed sanctions, in part because of international pressure—mainly from the United States.²⁰⁹

This capitulation is representative of the uncertainties in the relationship between Iran and China. The Sino-Persian relationship is described by China as a “comprehensive strategic partnership” where both sides cooperate on areas of interest but do not get entangled in the other countries' conflicts.²¹⁰ A key premise that predates this new label, and is still very much alive, is the concept that this partnership will not jeopardize relationships with other countries.²¹¹ When China's relationship with Iran started to

²⁰⁶ Fuzuo Wu, “China's Puzzling Energy Diplomacy Toward Iran,” *Asian Perspective* 39, no. 1 (2015): 53, <https://doi.org/10.1353/apr.2015.0009>; Joris Teer and Suolao Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” *Asian Journal of Middle Eastern and Islamic Studies* 12, no. 2 (April 3, 2018): 181–83, <https://doi.org/10.1080/25765949.2018.1475607>; Joel Wuthnow, *Chinese Diplomacy and the UN Security Council: Beyond the Veto*, Politics in Asia Series (New York: Routledge, 2013), 77.

²⁰⁷ Wu, “China's Puzzling Energy Diplomacy Toward Iran,” 53.

²⁰⁸ Wuthnow, *Chinese Diplomacy and the UN Security Council*, 75–94.

²⁰⁹ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 181–83; Wuthnow, *Chinese Diplomacy and the UN Security Council*, 93–94.

²¹⁰ Jonathan Fulton, “China's Changing Role in the Middle East” Atlantic Council, June 2019, 3–4, https://www.atlanticcouncil.org/wp-content/uploads/2019/06/Chinas_Changing_Role_in_the_Middle_East.pdf.

²¹¹ Tabatabai and Esfandiary, *Triple-Axis*, 32–33.

interfere with its relationship with the United States, China chose its relationship with the United States over its relationship with Iran.²¹² In short, Iran has a close but complicated diplomatic relationship with China that is influenced by other countries but, for the most part, continues to benefit from it.

Sino-Persian diplomacy has involved frequent visits from high-ranking diplomatic officials from both countries, including their heads of state; the visits have fostered and improved relations.²¹³ In May 1989, Iranian President Ali Hosseini Khamenei visited China to seek increased cooperation between the two countries.²¹⁴ In 1992, President Hashemi Rafsanjani's visit to China resulted in the signing of several joint projects. During this visit, China agreed to provide Iran with its first nuclear power plant.²¹⁵ More recently, China has continued to demonstrate support toward the Islamic regime by continuing high-level visits even after increased U.S.-Iranian tensions. For example, in early 2002, Chinese President Jian Zemin visited China only a few months after U.S. President George W. Bush included the regime in the "Axis of Evil."²¹⁶ Sino-Persian diplomatic relations continued to be close throughout the 2000s even while the United States worked hard to increase sanctions against Iran.²¹⁷ In June 2012, Iranian President Mahmoud Ahmadinejad visited China at the behest of Chinese President Hu Jintao following another tense period between the United States and Iran.²¹⁸

After Trump reinstated sanctions against Iran in 2018, China has continued to work with Iran. In September 2019, Iranian Foreign Minister Mohammad Javad Zarif

²¹² Wuthnow, *Chinese Diplomacy and the UN Security Council*, 93–94; Garver, *China and Iran*, 283–85.

²¹³ Wu, "China's Puzzling Energy Diplomacy Toward Iran," 51; Tabatabai and Esfandiary, *Triple-Axis*, 73–74; Scobell and Nader, *China in the Middle East*, 54; Simon Watkins, "China and Iran Flesh out Strategic Partnership," *Petroleum Economist*, September 3, 2019, <https://www.petroleum-economist.com/articles/politics-economics/middle-east/2019/china-and-iran-flesh-out-strategic-partnership>.

²¹⁴ Tabatabai and Esfandiary, *Triple-Axis*, 72–73.

²¹⁵ Elaine Sciolino, "China Will Build A-Plant for Iran," *New York Times*, September 11, 1992, <https://www.nytimes.com/1992/09/11/world/china-will-build-a-plant-for-iran.html>.

²¹⁶ Wu, "China's Puzzling Energy Diplomacy Toward Iran," 51–52.

²¹⁷ Wuthnow, *Chinese Diplomacy and the UN Security Council*, 51–52.

²¹⁸ Wu, "China's Puzzling Energy Diplomacy Toward Iran," 51–52.

visited China looking to consolidate what he referred to as a “strategic partnership,” which he described in an op-ed he wrote and published during the same period.²¹⁹ This visit followed an earlier visit he made in February 2019 when he met with President Xi, who reiterated China’s commitment to Iran regardless of changes in the international arena.²²⁰ Iran will continue to benefit from strong diplomatic relations with China moving forward.

There are several issues on which Iran and China disagree, which can potentially limit the growth in their relationship. Most notably, Iran and China differ in their interests in regard to the United States. Iran views the United States as a rival, while China is highly dependent on the United States for economic growth and is willing to subordinate its relationship with Iran when necessary.²²¹ Furthermore, Iran continues to be a difficult partner and has garnered negative political attention, which can potentially affect China.²²² China seeks stable partners and a stable environment in which to conduct business, and Iran’s behavior toward the U.S. threatens those objectives. Some Chinese are hesitant to conduct business in Iran because they consider the environment volatile, corrupt, and risky.²²³ After Major General Qassim Suleimani was killed by an American drone strike in early 2020 and tension increased between Iran and the United States, Chinese businesses will likely be cautious to increase their footprint in the Islamic Republic.²²⁴ Also, as discussed in Chapter II, China has a close relationship with Saudi Arabia, which is Iran’s regional rival. China imports more oil from Saudi Arabia than

²¹⁹ Alex Vatanka, “China’s Great Game in Iran,” *Foreign Policy* September 5, 2019, <https://foreignpolicy.com/2019/09/05/chinas-great-game-in-iran/>.

²²⁰ Mordechai Chaziza, “Roadmap for a Chinese-Iranian Strategic Partnership,” *The Begin-Sadat For Strategic Studies*, accessed January 13, 2020, <https://besacenter.org/perspectives-papers/china-iran-strategic-partnership/>.

²²¹ Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 21–22; Garver, *China and Iran*, 292–93.

²²² Mackenzie, *A Closer Look at China-Iran Relations*, 12–13; Garver, *China and Iran*, 291–92.

²²³ Mackenzie, *A Closer Look at China-Iran Relations*, 12–13; Wuthnow, “Posing Problems without an Alliance: China-Iran Relations after the Nuclear Deal,” 4.

²²⁴ Tim Arango, Ronen Bergman, and Ben Hubbard, “Qassim Suleimani, Master of Iran’s Intrigue, Built a Shiite Axis of Power in Mideast,” *New York Times*, January 3, 2020, <https://www.nytimes.com/2020/01/03/obituaries/qassem-soleimani-dead.html>.

Iran, has deeper trade ties with the Saudis, and will likely not place that relationship at risk to support Iran.²²⁵ In short, there are many challenges that can potentially limit growth in the relationship between Iran and China moving forward.

3. Military and Security Cooperation

Over the past four decades, Iran has benefited from its defense cooperation with China, receiving weapons systems and military technology while also increasing Iran's military capability.²²⁶ After an arms embargo was placed on Iran following the establishment of the Islamic Republic, China was still willing to sell it weapons, including Silkworm missiles, after a war broke out with Iraq.²²⁷ During this period, China also provided Iran with anti-tank and anti-air weapons, mortar rounds, and artillery pieces.²²⁸ As China's weapons and equipment have become more sophisticated, Iran has looked to benefit from such capabilities and has purportedly involved itself in the production process of some of the weapons it has purchased from China in an attempt to build its own domestic capacity.²²⁹ Iran's controversial ballistic missile program, where China assisted the Islamic Republic in developing its own domestic capacity, is an example of this relationship. In 2008, China surpassed Russia to become Iran's largest weapons supplier.²³⁰

Beyond these tangible measures, Iran has been able to gain proficiency through joint military exercises with China. In 2014, Iran and China held its first combined maritime exercise; this joint exercise focused on anti-piracy drills and led to the first

²²⁵ Wuthnow, "Posing Problems without an Alliance: China-Iran Relations after the Nuclear Deal," 5.

²²⁶ Tabatabai and Esfandiary, *Triple-Axis*, 130–34; Mackenzie, *A Closer Look at China-Iran Relations*, 2, 9; Scobell and Nader, *China in the Middle East*, 55–58; Rashida Hameed, "Sino-Iran Relations Current Developments and Future Scenario," *Policy Perspectives* 7, no. 1 (January-June 2010): 145; Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 6–7.

²²⁷ Mackenzie, *A Closer Look at China-Iran Relations*, 2.

²²⁸ Hameed, "Sino-Iran Relations Current Developments and Future Scenario," 145.

²²⁹ Tabatabai and Esfandiary, *Triple-Axis*, 132–33; Hameed, "Sino-Iran Relations Current Developments and Future Scenario," 145.

²³⁰ Tabatabai and Esfandiary, *Triple-Axis*, 132–33; Wu, "China's Puzzling Energy Diplomacy Toward Iran," 53.

Iranian port call by a Chinese naval ship.²³¹ More recently, in December 2019, Iran held another joint maritime exercise with China focused on countering piracy and terrorism.²³² In short, Iran has been able to modernize certain aspects of its military despite an embargo due to its close relationship with China.

C. CONCLUSION

Iran has developed an unbalanced relationship with China. Today, after years of dealing with sanctions that have destroyed its economy and opportunities for upward mobility for its population, Iran has become dependent on China.²³³ China is one of the few countries still willing to conduct business with Iran, sell it weapons, and conduct military exercises with it.²³⁴ Furthermore, China likely provides Iran with its best opportunity to resist U.S. pressure aimed at making the regime reform its behavior, since China is one of the most capable and technologically advanced countries in the world. In short, China can help Iran soft balance against U.S. dominance in the Middle East region and limits its power. An example of this is when China actively worked toward watering-down the severity of international sanctions eventually implemented against Iran.²³⁵ Furthermore, China has provided Iran with much needed military equipment, including equipment that helped it fight Saddam during the Iran-Iraq War and, most recently, to

²³¹ Tabatabai and Esfandiary, *Triple-Axis*, 134; Thomas Erdbrink and Chris Buckley, “China and Iran to Conduct Joint Naval Exercises in the Persian Gulf,” *New York Times*, September 21, 2014, <https://www.nytimes.com/2014/09/22/world/middleeast/china-and-iran-to-conduct-joint-naval-exercises-in-the-persian-gulf.html>.

²³² Ben Westcott and Hamdi Alkhshali, “China, Russia, and Iran Hold Joint Naval Drill in the Gulf of Oman,” CNN, December 27, 2019, <https://www.cnn.com/2019/12/27/asia/china-russia-iran-military-drills-intl-hnk/index.html>.

²³³ Yacoubian, “Iran’s Increasing Reliance on China”; Wuthnow, “Posing Problems without an Alliance: China-Iran Relations after the Nuclear Deal,” 1–4; BBC News, “Six Charts That Show How Hard U.S. Sanctions Have Hit Iran.”

²³⁴ Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 5–6; Erdbrink and Buckley, “China and Iran to Conduct Joint Naval Exercises in the Persian Gulf”; Westcott and Alkhshali, “China, Russia, and Iran Hold Joint Naval Drill in the Gulf of Oman.”

²³⁵ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 181–83.

maintain a balance against its regional competitors, the Gulf Cooperation Council.²³⁶ However, China does not have a similar dependence on the Islamic Republic.²³⁷ For example, China can easily deepen its relationship with Saudi Arabia and increase oil imports if it considers its relationship with Iran too risky.²³⁸ If these conditions continue, along with continued U.S. pressure, the Islamic Republic will likely pursue deeper economic, diplomatic, and military ties with China.

²³⁶ Tabatabai and Esfandiary, *Triple-Axis*, 130–34; Mackenzie, *A Closer Look at China-Iran Relations*, 2, 9; Scobell and Nader, *China in the Middle East*, 55–58; Hameed, “Sino-Iran Relations Current Developments and Future Scenario,” 145; Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 6–7.

²³⁷ Wuthnow, “Posing Problems without an Alliance: China-Iran Relations after the Nuclear Deal,” 4–5; Harold and Nader, *China and Iran: Economic, Political and Military Relations*, 21–22.

²³⁸ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 170; Wuthnow, “Posing Problems without an Alliance: China-Iran Relations after the Nuclear Deal,” 4–5.

IV. CONCLUSION

The three hypotheses this thesis tested explain only part of why Saudi Arabia and Iran have been pursuing closer ties with China and, therefore, do not represent the most important factors. This thesis found that a close relationship with a growing economic, diplomatic, and military power like China can help both Saudi Arabia and Iran overcome some of their domestic and regional challenges. That is, the challenges Saudi Arabia and Iran are currently encountering are the factors driving both countries to develop stronger ties with China since China is seen by the Saudi and Iranian government as a partner that can help alleviate some of the issues caused by those challenges. Although both countries benefit from having close ties with China, and these benefits differ for each, the primary motivating factor for both appears to be economic. Saudi Arabia's and Iran's economies depend on the export of oil, and China is the world's largest importer of oil and continues to increase its need for the commodity, making China an attractive partner to these states. Today, China is the largest buyer of both Saudi and Iranian oil, and the relationship that has evolved from these economic ties has spilled over to the diplomatic and military realms.

A. KEY FINDINGS

Hypothesis 1: Saudi Arabia considers China as an alternative to the United States but looks to benefit from relationships with both countries.

Findings: Saudi Arabia is not looking to replace the United States as a partner, but it is attempting to reduce what it perceives to be an overdependence on the United States. Recently, diverging interests in the Middle East region have led to tensions between the United States and Saudi Arabia. This tension, in part, has provided Saudi Arabia with an incentive to diversify its portfolio of partner nations that it will be able to turn to for support when its interests do not align with those of the United States. Additionally,

China's policy of non-interference and willingness to overlook human rights violations adds to the perceived benefits of doing business with China.²³⁹

However, this factor does not appear to be on the same level of significance as economic factors and is not the main reason Saudi Arabia is developing closer ties with China. The Sino-Saudi relationship is primarily driven by economic factors, with oil trade at the center. This research found that Saudi Arabia's continued dependence on the export of oil to generate wealth requires it to find stable and reliable consumers for its main export commodity.²⁴⁰ Furthermore, to avoid the impact caused by changes in the oil market, Saudi Arabia is working to transition its economy away from a dependence on oil, which will require significant investments on behalf of other countries or the private sector. In China, Saudi Arabia has found a partner that is willing buy its oil *and* invest in sectors like construction, telecommunication, and petrochemicals, which will help the Saudi government develop these industries.²⁴¹ Developing other sectors of the economy will help Saudi Arabia move away from its dependence on oil, reduce its vulnerability to fluctuations in the oil market, and create the jobs its people will require in the future. In short, there are additional benefits besides economic that make the relationship with China attractive to Saudi Arabia, but these appear to be peripheral.

Hypothesis 2: Iran must increase ties with China since sanctions have deterred other countries from conducting business with the Islamic Republic.

Findings:

The research found that, for Iran, years of dealing with sanctions and the challenges that have emerged from its isolation from international markets have been the most significant factors leading it to seek closer ties with China. Currently, China is one of the most attractive partners available to Iran due to its growing economic, diplomatic, and military power. Similar to Saudi Arabia, Iran generates the majority of its income from selling oil and having a reliable partner that is willing to buy its oil benefits the

²³⁹ Scobell and Nader, *China in the Middle East*, 30, 34.

²⁴⁰ Al-Kibsi et al., "Saudi Arabia Beyond Oil: The Investment and Productivity Transformation," 2.

²⁴¹ Hussain, *Saudi Arabia in a Multipolar World*, 146.

Islamic Republic. Unlike Saudi Arabia, however, Iran has difficulty finding countries willing to import its oil since those countries are fearful of becoming ostracized from the international markets or incurring their own sanctions. Iran's difficult relationship with its neighbors in the Middle East, its meddling in the internal affairs of these countries, and ongoing tension with the United States make many countries hesitant to conduct business with the Islamic Republic. Sanctions have devastated the Iranian economy, and, as a result, it is facing protests that threaten the regime due to its inability to produce jobs and opportunities to help the Iranian people improve their socioeconomic situation. For Iran, having a partner that is willing to buy its oil and invest in its domestic infrastructure and business sectors is appealing given its circumstances.

Iran also benefits from China's partnership since it is willing to provide modern weapons and technology. The Islamic Republic is surrounded by neighboring nations it perceives to be hostile, including Saudi Arabia, Bahrain, Israel, Kuwait, as well as the U.S. military. Iran perceives these threats as endangering the survival of the regime, and it is aware that its conventional military is unable to defend it. Iran benefits from China's willingness to sell it weapons and share technology it needs to improve its military capability since China has one of the most technologically advanced militaries in the world.

Hypothesis 3: Both Saudi Arabia and Iran will leverage the benefits associated with their relationships with China to counter each other's efforts to increase influence in the Middle East.

Findings:

This research only found one clear example of either Saudi Arabia or Iran using its relationship to counter the other. In 2010, Saudi Arabia tried to leverage its relationship with China to encourage stricter sanctions against Iran, but it was not successful.²⁴² China has a policy of noninterference in the affairs of other countries, and it has applied this policy to its relationship with Saudi Arabia and Iran. If China continues

²⁴² MacGillivray, "Maturing Sino-Saudi Strategic Relations and Changing Dynamics in the Gulf," 77-79.

following its policy of noninterference it will likely be difficult for either Saudi Arabia or Iran to leverage its relationship with China against the other state. Furthermore, although China is the largest supplier of weapons to Iran and these weapons may threaten Saudi interests in the region, it has not driven a wedge in the Sino-Saudi relationship. The deep economic ties China has with both Saudi Arabia and Iran makes it unlikely that it will become directly involved in the rivalry between Saudi Arabia and Iran. Furthermore, the research did not find any factors that could potentially lead China to support either Iran or Saudi Arabia against the other. China benefits from conducting business with both Saudi Arabia and Iran and has applied its policy of noninterference to both relationships.

B. IMPLICATIONS FOR THE UNITED STATES

United States security professionals must take into account the growing Sino-Saudi and Sino-Persian relationships and the implications these relationships may have on U.S. interests in the region. The importance of China for both the Saudi and Iranian economies means China will maintain a presence in the Middle East. This presence should not be automatically perceived as being in direct competition with U.S. interests in the Middle Eastern region. Per the *National Security Strategy*, U.S. key interests in the Middle East include ensuring that the region contributes to a stable global energy market and preventing any country hostile to the United States from dominating the region.²⁴³ Currently, neither the Sino-Saudi nor the Sino-Persian relationship threaten the stability of the global energy market. In actuality, both Saudi Arabia and Iran benefit from a stable energy market since the economies in both countries depend on the wealth generated from the export of oil. China's presence also contributes to the stability of the energy market since it requires a continuous flow of oil from the Middle East at a stable price. In the end, fluctuations in the oil market affect the United States, China, Saudi Arabia, and Iran.

Although Iran is hostile to the United States, it is not powerful enough to dominate the Middle Eastern region, and the benefits Iran gains from its relationship with China do not risk the balance of power in the Middle East. This is not to say that the

²⁴³ White House, *National Security Strategy of the United States*, 48.

weapons Iran procures from China do not risk U.S. service members in the Middle Eastern region or threaten countries in the Gulf Cooperation Council, but these weapons and the financial benefits of Iran's relationship with China are not enough for Iran to exert significant power beyond its borders. As such, closer ties between Iran and China do not currently threaten U.S. interests in terms of maintaining a favorable environment in the Middle East. As for Saudi Arabia, it continues to be a close partner of the United States, and, as such, the Sino-Saudi relationship does not risk U.S. interests in the Middle East.

In fact, growing Sino-Saudi and Sino-Persian relationships may be in the interest of the United States as it could potentially utilize China's interest in maintaining a stable and secure flow of oil to help maintain stability in the Middle Eastern region. Like the United States, China benefits from a stable Middle East since it depends on the oil it imports from the region. Having a country like China that also has a close relationship with the United States and has a growing influence in the Middle East may help when trying to resolve issues in the region.

To what extent either Saudi Arabia or Iran can leverage its relationship with China is not yet clear since China has a strict noninterference policy and has avoided becoming entangled in the affairs of other countries.²⁴⁴ What is clear is that China has been reluctant to favor its relationship with other countries over its relationship with the United States. This was the case when China eventually agreed to sanctions against Iran, although initially it had stonewalled those efforts.²⁴⁵ Although Sino-Saudi and Sino-Persian relations have grown stronger over the years, these relationships are subordinate to the U.S.-Sino relationship. Additionally, for Saudi Arabia its relationship with the United States continues to be its most important relationship, in part because it depends on it for its security.

²⁴⁴ Fulton, "China's Changing Role in the Middle East," 3–4.

²⁴⁵ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 181–83; Wuthnow, *Chinese Diplomacy and the UN Security Council*, 93–94.

C. FUTURE RESEARCH RECOMMENDATIONS

Additional research in the following areas will help provide further insight into China-Middle East relations.

Recommendation 1: Research the relationships between other Middle Eastern countries and China.

Although this thesis clarifies the factors that compel the Sino-Saudi and Sino-Persian relationships, these factors are not indicative of what drives other Middle Eastern countries to develop stronger ties with China. To broaden the scope, future researchers should explore the factors motivating other countries in the Middle Eastern region, like Bahrain, Kuwait, Oman, and Qatar, to pursue ties with China. It is not enough to say that the Middle East is growing closer to China, since this is an oversimplification of complex relationships between several states. As this thesis conveys, there is important divergence in factors driving just two countries' relationships with China, so it is reasonable to assume that the factors will vary throughout the entire Middle Eastern region. By studying each individual country in the Middle Eastern region, it will provide U.S. security professionals with a better understanding of the relationships that are evolving between Middle Eastern countries and China.

Recommendation 2: Focus on a single theme when researching the relationship between states.

Focusing on broad themes, like economy, diplomacy, and security, provides a broad overview of the relationship between countries, but researching a single area provides an opportunity for a deeper understanding of that factor. For example, this study found economic benefits are at the core of the Sino-Saudi and Sino-Persian relationship but, due to time limitations, the research focused mostly on energy trade. In the economic realm there are other sectors in the economic relationship that require a more in-depth analysis, including in the area of investment.

D. CLOSING THOUGHTS

China's role in the Middle East is likely to increase due to its growing need for oil and Middle Eastern countries' continued dependence on the export of oil to generate wealth. As a result, China will increasingly become a factor in U.S. decision making in policies regarding the Middle East. As China's economic interests increase in the Middle East, it becomes more likely that China's interests will expand into other sectors like diplomacy and security. China's limited interests in the Middle East have made it easier for it to stay the course on its policy of noninterference in the affairs of other countries. It appears unlikely that that policy will change in the near future but, as this thesis has shown, the evolution of these relationships still has important impact on all states involved.

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